Notes to the Financial Statements

For the year ended 31 March 2006

1. Organisation and operations

China Conservational Power Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands. Its registered office and principal place of business are located at P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies and at 1702-3, 17th Floor, Skyline Commercial Centre, 71-77 Wing Lok Street, Sheung Wan, Hong Kong respectively.

The Group engages in electrical engineering contracting, trading of electrical equipment and materials, investment holding, securities brokerage and financing, company secretarial services and sea freight forwarding services. The Group operates primarily in Hong Kong. The Company is an investment holding company. The activities of the subsidiaries are set out in note 50 to the financial statements. The Company's shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

On 29 September 2005, the Independent Commission against Corruption (the "ICAC") issued a press release in relation to the arrest of 22 individuals for alleged corruption over the misappropriation of funds from listed companies and it was subsequently mentioned in certain press articles that several former Directors of the Company had been arrested. Certain records and documents of the Group have been seized by the ICAC for the purpose of investigation. The Company's shares have been suspended for trading on the Stock Exchange since 29 September 2005. Further details are set out in note 53.

2. Adoption of new and revised Hong Kong Financial Reporting Standards

In the current year, the Group has adopted for the first time a number of the new and revised Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") (collectively "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are relevant to its operations and effective for accounting periods beginning on or after 1 January 2005. The applicable HKFRSs are set out below.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 11	Construction Contracts
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenues
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

2. Adoption of new and revised Hong Kong Financial Reporting Standards (Continued)

HKAS 28	Investments in Associates
HKAS 31	Interests in Joint Ventures
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
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKAS-Int 15	Operating Lease-Incentives

The effects of the adoption of these HKFRSs on the Group's accounting policies and on amount disclosed in the financial statements are summarised as follows:

(i) HKAS 1 has affected the presentation of minority interest, share of net after tax results of associates and joint venture and other disclosures.

(ii) HKASs 2, 7, 8, 10, 11, 12, 14, 16, 17, 18, 19, 23, 27, 28, 31, 33, 36, 37, 38 and HKAS-Int 15 had no material effect on the Group's policies.

(iii) HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance of the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements.

(iv) HKAS 24 has affected the identification of related parties and some other related party disclosures.

(v) Share option scheme (HKFRS 2, Share-based payment)

In prior years, no amounts were recognised when option holders were granted share options over shares in the Company. If the option holders 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 April 2005, in order to comply with HKFRS 2, the Group recognises the fair value of share options as an expense in the income, or as an asset, if the cost qualifies for recognition as an asset under the group accounting policies. A corresponding increase is recognised in share option reserve within equity.

2. Adoption of new and revised Hong Kong Financial Reporting Standards (Continued)

(v) Share option scheme (HKFRS 2, Share-based payment) (Continued)

Where the option holders are required to meet vesting conditions before they become entitled to the options, the Group recognises the fair value of the options granted over the vesting period. Otherwise, the Group recognises the fair value in the period in which the options are granted.

If an option holder chooses to exercise options, the related share option reserve is transferred to share capital and share premium, together with the exercise price. If the options lapse unexercised the related capital reserve is transferred directly to retained profits.

The new accounting policy has been applied retrospectively with comparatives restated in accordance with HKFRS 2, except that the Group has taken advantage of the transitional provisions of HKFRS 2 under which the new recognition and measurement policies have not been applied to the following grants of options:

(i) all options granted to option holders on or before 7 November 2002; and

(ii) all options granted to option holders after 7 November 2002 but which had vested before 1 January 2005.

As all the Group's options were granted to option holders before 7 November 2002 and had been fully vested on 1 January 2005, the adoption of HKFRS 2 has no impact on the Group's net assets and results for the prior years.

The amount charged to the income statement as a result of the change of policy increased administrative expenses for the year ended 31 March 2006 by HK$1,694,000 with the corresponding amounts credited to the share option reserve.

Details of the share option scheme are set out in note 39 to the financial statements.

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

In prior periods:

– positive goodwill 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 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 profit and loss account as those expected losses were incurred.

Notes to the Financial Statements

For the year ended 31 March 2006

2. Adoption of new and revised Hong Kong Financial Reporting Standards (Continued)

(vi) Amortisation of positive and negative goodwill (HKFRS 3 – Business combinations and HKAS 36 – Impairment of assets) (Continued)

With effect from 1 April 2005, in accordance with HKFRS 3 and HKAS 36, the Group no longer amortises positive goodwill. Such goodwill is tested annually for impairment, including in the year of its initial recognition, as well as when there are indications of impairment. Impairment losses are recognised when the carrying amount of the cash generating unit to which the goodwill had been allocated exceeds its recoverable amount.

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) after reassessment, the excess is recognised immediately in the profit and loss account as it arises.

In accordance with the transitional rules of HKFRS 3, the Group has applied the revised accounting policy prospectively from 1 April 2005. Therefore, the change has had no impact on amounts reported for 2004 or prior periods.

(vii) Financial instruments (HKAS 32 – Financial Instruments: Disclosure and Presentation and HKAS 39 – Financial Instruments: Recognition and Measurement)

The adoption of HKASs 32 and 39 have resulted in a change in the accounting policy for recognition, measurement, derecognition and disclosure of financial instruments.

Until 31 March 2005, investments of the Group were classified as "Investment in securities". They were stated at fair value or estimated fair value as at the balance sheet date. Any unrealised gains less losses arising from valuation of " Investments in securities" as at the balance sheet date were dealt with in the income statement.

As from 1 April 2005, in accordance with HKASs 32 and 39, financial assets are classified as "Available-for-sale investments", "Investments held for trading" and "Loans receivable". The classification depends on the purpose for which the assets are acquired. "Available-for-sale investments" and " Investments held for trading" are carried at fair value with changes in fair value recognised in the equity and income statements respectively. "Loan receivable" consist of secured margin and term loans. Secured margin and term loans are recognised and carried at original contract note or drawdown amount less an allowance for any uncollectible amounts after taking into account the value of each client account's underlying collateral and repayment date.

The application of HKASs 32 and 39 have had no material effect on the recognition and measurement of financial assets and financial liabilities of the Group.

2. Adoption of new and revised Hong Kong Financial Reporting Standards (Continued)

The Group has not early adopted the new or revised standards or interpretations that have been issued but are not yet effective.

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Capital Disclosures	1 January 2007
HKAS 39 (Amendment)	The Fair Value Option	1 January 2006
HKFRS 7	Financial Instruments: Disclosures	1 January 2007
HK (IFRIC) – Int 4	Determining Whether an Arrangement Contains a Lease	1 January 2006

The Group is in the process of making an assessment of what the impact of these new or revised standards or interpretations is expected to be in the period of initial application.

3. Principal accounting policies

(a) Basis of preparation of financial statements

(i) The consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain financial instruments which are carried at fair value, and in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

(ii) There were several changes to the Board of Directors of the Company during the year and subsequent to the year ended 31 March 2006. In the present board of directors, only one executive director was appointed during the year while the other directors (collectively the "Current Directors") were appointed in May 2006, which was subsequent to the Company's current reporting financial year. The financial statements have been prepared based on the books and records maintained by the Company and its subsidiaries. However, no representation as to the completeness of the books and records of the Group during the period from 1 April 2005 to 31 March 2006 could be given by the present board of directors although due care has been taken in the preparation of the financial statements. The Current Directors are, therefore, unable to represent that all transactions entered into the name of the Company and its subsidiaries during the year ended 31 March 2006 have been included in the financial statements. Notwithstanding the foregoing, the Current Directors have in the assessment of the Company's and the Group's assets and liabilities, taken such steps as they considered practicable, to make provisions and adjustments as they considered appropriate in the preparation of financial statements.

Notes to the Financial Statements

For the year ended 31 March 2006

3. Principal accounting policies (Continued)

(a) Basis of preparation of financial statements (Continued)

(iii) The Group sustained a net loss for the year attributable to equity holders of the parent of HK$131,251,000 during the year and had net assets and total equity of approximately HK$40,056,000 as at 31 March 2006. The financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of a substantial shareholder, who agreed to provide funds to finance the working capital requirements of the Group.

(b) Basis of consolidation

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

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

All significant intercompany transactions, balances and unrealised gains on transactions between group enterprises are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment on the asset transferred.

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

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

(c) Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities assumed in a business combination are recognised at their fair values at the acquisition date.

3. Principal accounting policies (Continued)

(c) Business combinations (Continued)

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss account.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(d) Subsidiary

A subsidiary is a company in which the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another enterprise.

Investments in subsidiaries are included in the Company's balance sheet at cost less any impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(e) Associates

An associate is a company, not being a subsidiary nor an interest in a joint venture, over which the Group is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate are not recognised. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Where a group company transacts with an associate of the Group, unrealised gains and losses are eliminated to the extent of the Group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the assets transferred.

Notes to the Financial Statements

For the year ended 31 March 2006

3. Principal accounting policies (Continued)

(f) Joint venture

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Where a group company undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant company and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of jointly venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entities, less impairment in the value of individual investments. Losses of a jointly controlled entities in excess of the Group's interest in that jointly controlled entity are not recognised. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a subsidiary.

Where a group company transacts with a jointly controlled entity of the Group, unrealised gains and losses are eliminated to the extent of the Group's interest in the joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred.

(g) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary, associate or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill on acquisitions of subsidiaries is presented separately. Goodwill on acquisitions of associates or jointly controlled entities is included in investments in associates or jointly controlled entities.

3. Principal accounting policies (Continued)

(g) Goodwill (Continued)

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Gain or loss on the disposal of a subsidiary, associate or jointly controlled entity include the carrying amount of goodwill relating to the subsidiary, associate or jointly controlled entity sold.

(h) Property, plant and equipment

Historical cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is charged to profit and loss 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 the assets, the expenditure is capitalised as an additional cost of the asset or a separate asset.

Depreciation is charged so as to write off the cost or valuation of assets, other than properties under construction, over their estimated useful lives, using the straight-line method. The useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The principal annual rates are as follows:

Leasehold improvements	20%
Furniture and fixtures	25%
Other equipment	25%
Motor vehicles	25%

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

Notes to the Financial Statements

For the year ended 31 March 2006

3. Principal accounting policies (Continued)

(h) Property, plant and equipment (Continued)

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

(i) Construction in progress

Construction in progress represents factories and office buildings on which construction work has not been completed and machinery pending installation and which, upon completion, management intends to hold for production purpose or for its own use. Construction in progress is carried at cost which includes development and construction expenditure incurred and interest and other direct costs attributable to the development less any accumulated impairment losses. On completion, the construction in progress is transferred to property, plant and equipment at cost less provision for impairment losses. Construction in progress is not depreciated until such time as the assets are completed and ready for their intended use.

(j) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is other than indefinite) and impairment losses. Intangible assets with indefinite useful lives that are acquired by the Group are stated in the balance sheet at cost less impairment losses.

(k) Impairment of assets excluding goodwill

Assets that have an indefinite useful life are not subject to amortisation and tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell 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 the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit or loss account, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

3. Principal accounting policies (Continued)

(k) Impairment of assets excluding goodwill (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit or loss account, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(l) Installation contracts

When the outcome of an installation contract can be estimated reliably, contract revenue and costs are recognised in the income statement by reference to the stage of completion of the contract activity at the balance sheet date, as measured by surveys on works performed.

When the outcome of an installation contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable and contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

(m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes cost of purchase of materials computed using the weighted average cost method. Net realisable value is determined by reference to the anticipated sales proceeds of items sold in the ordinary course of business less estimated selling expenses after the balance sheet date or to management estimates based on prevailing market conditions.

(n) Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

(i) Trade and other receivables

Receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate provision for estimated irrecoverable amounts are recognised in profit and loss account when there is objective evidence that the asset is impaired. The provision recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Notes to the Financial Statements

For the year ended 31 March 2006

3. Principal accounting policies (Continued)

(n) Financial instruments (Continued)

(ii) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Investments other than held-to-maturity debt securities are classified as either investments held for trading or as available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

(iii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. 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 cash flow statement.

3. Principal accounting policies (Continued)

(n) Financial instruments (Continued)

(iv) Financial liabilities and equity

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

(v) Borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(vi) Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

(vii) Equity instruments

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

Notes to the Financial Statements

For the year ended 31 March 2006

3. Principal accounting policies (Continued)

(o) Leases

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

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

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

(p) Provisions and contingent liabilities

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

3. Principal accounting policies (Continued)

(q) Taxation

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

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

Deferred tax liabilities is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. However, such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) or other asset and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Notes to the Financial Statements

For the year ended 31 March 2006

3. Principal accounting policies (Continued)

(r) Translation of foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are expressed in Hong Kong Dollars which is the functional currency of the Company, and the presentation currency for the consolidated statements.

In preparing the financial statements of the individual entities, foreign currency transactions are translated into Hong Kong Dollars, being the functional currency at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operation (including comparatives) are expressed in Hong Kong Dollars using exchange rates prevailing on the balance sheet date. Income and expenses items (including comparatives) are translated at the average exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(s) Employees' benefits

(i) Short term benefits

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

3. Principal accounting policies (Continued)

(s) Employees' benefits (Continued)

(ii) Retirement benefit scheme contributions

Contributions to the Mandatory Provident Fund Scheme as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to profit and loss account when incurred. The Group has no further payment obligations once the contribution is made.

Contributions payable by the Group to its defined contribution retirement benefit scheme operated by a local Municipal Government in the PRC are charged to the profit and loss account in the year in which they fall due. The Group has no further payment obligations once the contribution is made.

(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 share option reserve within equity. The fair value is measured at grant date using The Black-Scholes 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 recognition as an assets, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share option that vest (with a corresponding adjustment to the share option 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 share option 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 remained profits).

Notes to the Financial Statements

For the year ended 31 March 2006

3. Principal accounting policies (Continued)

(t) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit and loss in the period in which they are incurred.

(u) Related parties

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

(v) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts.

(i) Revenue from the sale of electrical products is recognised when the Group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivable is reasonably assured.

(ii) Revenue on installation contracts is recognised using the percentage of completion method by reference to the value of work carried out during the year.

(iii) Interest income is accrued on a time-apportioned basis by reference to the principal outstanding using the effective interest rate method.

(iv) Rental income from operating leases is recognised in equal instalments over the accounting periods covered by the lease term.

3. Principal accounting policies (Continued)

(v) Revenue recognition (Continued)

(v) Revenue from sea freight forwarding is recognised when the services are rendered, which generally coincides with the time of shipment.

(vi) Brokerage commission income is recognised on a trade date basis when the services are rendered.

(vii) Income from securities handling charges and service income is recognised when the services are rendered.

(w) 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. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

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

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

Notes to the Financial Statements

For the year ended 31 March 2006

4. Critical accounting estimates and judgements

Estimates and judgments

Estimates and judgments 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.

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgment in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may effect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

Estimation uncertainty

The Group also makes estimates and assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date. 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 in relation to share option expense.

Share option expense is subject to the limitations of the option pricing models adopted and the uncertainty in estimates used by management in the assumptions. Should the estimates including limited early exercise behaviour, expected interval and frequency of open exercise periods in the share option life and the relevant parameters of the share option model be changed, there would be material changes in the amount of share option benefits recognised in the income statement and share-based reserve.

The management exercises their judgement in estimation of impairment loss on investments held for trading based on the valuation report from an independent professional valuer. The valuation is subject to the limitation and the uncertainty of Black-Scholes pricing model in estimates used by management. There would be material changes in the amount of impairment loss recognised in the income statement and accumulated impairment loss if the parameters in the model are changed.

5. Turnover

Turnover represents the aggregate of the value of contract work carried out, sea freight forwarding service income, the proceeds from sales of goods, brokerage income, margin interest earned and interest income from unsecured loans during the year, and is analysed as follows:

	2006 HK$'000	2005 HK$'000
Electrical engineering contracting	**17,737**	43,307
Sea freight forwarding service income	**–**	49,010
Sales of electrical goods	**1,865**	4,616
Brokerage income from securities dealings	**3,484**	2,405
Margin interest from securities brokerage business	**1,527**	1,554
Interest income from unsecured loans	**5,067**	1,499
Others	**10**	36
	29,690	102,427

6. Business and geographical segments

(a) Business segments

For management purposes, the Group is currently organised into four operating divisions. These divisions are the basis on which the Group reports its primary segment information. Principal activities are as follows:

(i) Electrical engineering contracting

(ii) Sale of electrical goods

(iii) Securities brokerage and financing

(iv) Sea freight forwarding services

Notes to the Financial Statements

For the year ended 31 March 2006

6. Business and geographical segments (Continued)

(a) Business segments (Continued)

	Electrical engineering contracting HK$'000	Sale of electrical goods HK$'000	Securities brokerage and financing HK$'000	Sea freight forwarding services HK$'000	Others HK$'000	Elimination HK$'000	Consolidated HK$'000
For the year ended 31 March 2006							
Turnover							
External sales	17,737	1,865	10,078	–	10	–	29,690
Inter-segment sales	–	233	9	–	–	(242)	–
Total revenue	17,737	2,098	10,087	–	10	(242)	29,690

Inter-segment sales are charged at prevailing market rates.

	Electrical engineering contracting HK$'000	Sale of electrical goods HK$'000	Securities brokerage and financing HK$'000	Sea freight forwarding services HK$'000	Others HK$'000	Elimination HK$'000	Consolidated HK$'000
Results							
Segment results	(8,024)	(3,778)	(59,539)	(108)	(19)	–	(71,468)
Unallocated operating income and expenses							(83,266)
Loss from operations							(154,734)
Finance costs							(2,285)
Gain on disposal of subsidiaries							25,927
Loss before taxation							(131,092)
Taxation							(159)
Net loss for the year							(131,251)

6. Business and geographical segments (Continued)

(a) Business segments (Continued)

	Electrical engineering contracting HK$'000	Sale of electrical goods HK$'000	Securities brokerage and financing HK$'000	Sea freight forwarding services HK$'000	Others HK$'000	Unallocated HK$'000	Consolidated HK$'000
As at 31 March 2006							
Assets							
Segment assets	10,155	2,893	27,981	6	30	–	41,065
Unallocated corporate assets							51,685
Consolidated total assets							92,750
Liabilities							
Segment liabilities	8,024	1,285	16,882	19	75	–	26,285
Unallocated corporate liabilities							26,409
Consolidated total liabilities							52,694
Other information							
Additions of property, plant and equipment and intangible assets	–	–	214	–	–	19	233
Amortisation of trading right	–	–	251	–	–	–	251
Depreciation	200	123	273	–	4	2,547	3,147
Impairment losses recognised in income statement	–	–	62,931	–	–	59,487	122,418
Loss on disposal of property, plant and equipment	–	79	–	–	–	1,756	1,835
Provision for doubtful debts	1,017	223	–	–	6	1,316	2,562
Bad debts written off	–	1	314	–	–	–	315

Notes to the Financial Statements

For the year ended 31 March 2006

6. Business and geographical segments (Continued)

(a) Business segments (Continued)

	Electrical engineering contracting HK$'000	Sale of electrical goods HK$'000	Securities brokerage and financing HK$'000	Sea freight forwarding services HK$'000	Others HK$'000	Elimination HK$'000	Consolidated HK$'000
For the year ended 31 March 2005							
Turnover							
External sales	43,307	3,306	5,458	49,010	1,346	–	102,427
Inter-segment sales	–	1,670	–	–	–	(1,670)	–
Total revenue	43,307	4,976	5,458	49,010	1,346	(1,670)	102,427

Inter-segment sales are charged at prevailing market rates.

	Electrical engineering contracting HK$'000	Sale of electrical goods HK$'000	Securities brokerage and financing HK$'000	Sea freight forwarding services HK$'000	Others HK$'000	Elimination HK$'000	Consolidated HK$'000
Results							
Segment results	(2,977)	(821)	250	(312)	(3,835)	–	(7,695)
Unallocated operating income and expenses							(82,993)
Unrealised losses on listed investments							(68)
Loss from operations							(90,756)
Finance costs							(394)
Share of results of associates							(3,596)
Gain on disposal of subsidiaries							595
Share of results of a joint venture							(2,601)
Loss before taxation							(96,752)
Taxation							(36)
Net loss for the year							(96,788)

6. Business and geographical segments (Continued)

(a) Business segments (Continued)

	Electrical engineering contracting HK$'000	Sale of electrical goods HK$'000	Securities brokerage and financing HK$'000	Sea freight forwarding services HK$'000	Others HK$'000	Unallocated HK$'000	Consolidated HK$'000
As at 31 March 2005							
Assets							
Segment assets	14,276	3,053	49,258	13	400	–	67,000
Interests in associates							2,467
Unallocated corporate assets							175,256
Consolidated total assets							244,723
Liabilities							
Segment liabilities	10,263	1,423	3,375	94	116	–	15,271
Unallocated corporate liabilities							40,353
Consolidated total liabilities							55,624
Other information							
Additions of property, plant and equipment and intangible assets	5	–	242	–	323	2,224	2,794
Amortisation of goodwill and trading right	–	–	251	–	78	282	611
Depreciation	265	143	305	–	84	2,663	3,460
Impairment losses recognised in income statement	–	–	–	–	1,720	39,071	40,791
Loss on disposal of property, plant and equipment	–	–	618	–	–	119	737
Provision for doubtful debts	984	455	–	–	154	6,974	8,567

Notes to the Financial Statements
For the year ended 31 March 2006

6. Business and geographical segments (Continued)

(b) Geographical segments

The Group's principal operations are mainly located in Hong Kong and the People's Republic of China (the "PRC"). The Group's electrical engineering contracting, sale of electrical goods, securities brokerage and financing, and sea freight forwarding services are located in Hong Kong.

Over 90% of the Group's revenues during the two years ended 31 March 2006 were derived from Hong Kong. Accordingly, no geographical information on revenue is presented.

The following is an analysis of the carrying amount of consolidated total assets and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located.

	Carrying amount of consolidated total assets At 31 March		Additions to property, plant equipment and intangible assets For the year ended 31 March	
	2006	2005	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong	**52,383**	121,334	**233**	2,174
The PRC	**834**	123,117	**–**	620
	53,217	244,451	**233**	2,794
Others	**39,533**	272	**–**	–
	92,750	244,723	**233**	2,794

7. Other operating income

	2006 HK$'000	2005 HK$'000
Other operating income includes:		
Exchange gain	**37**	–
Gain on disposal of investments in unlisted other investments	**269**	–
Gain on disposal of development rights	**–**	100
Handling charges	**122**	120
Interest income	**902**	2,295
Rental income	**230**	640
Reversal of provision for irrecoverable prepayments	**3,053**	–
Sundry income	**107**	757
	4,720	3,912

8. Impairment losses

	2006 HK$'000	2005 HK$'000
Impairment losses in respect of:		
Goodwill arising from acquisition of an associate	**–**	5,364
Goodwill arising from acquisition of subsidiaries	**–**	2,373
Interests in associates	**467**	22,354
Investment deposits *(note 34)*	**25,000**	–
Investments held for trading *(note 25(a) & (b))*	**27,764**	–
Investments in unlisted investments *(note 24)*	**–**	10,700
Loan interest receivables *(note 32)*	**5,637**	–
Loans and margin receivable *(note 32)*	**63,550**	–
	122,418	40,791

Notes to the Financial Statements

For the year ended 31 March 2006

9. Loss from operations

	2006 HK$'000	2005 HK$'000
Loss from operations has been arrived at after charging (crediting):		
Provision for doubtful debts	**2,562**	8,567
Amortisation of goodwill arising on acquisition of subsidiaries included in administrative expenses	**–**	78
Amortisation of goodwill arising on acquisition of an associate included in administrative expenses	**–**	282
Amortisation of trading right in respect of securities trading included in administrative expenses *(note 22)*	**251**	251
Auditors' remuneration	**650**	530
Bad debts written off	**315**	–
Cost of inventories	**1,278**	3,860
Depreciation of property, plant and equipment:		
Owned assets	**2,682**	3,156
Assets held under finance leases	**465**	304
Exchange (gains) losses	**(37)**	674
Provision for obsolete inventories	**13**	115
Provision for amount due from an investee company	**–**	5,995
Impairment losses *(note 8)*	**122,418**	40,791
Loss on disposal of property, plant and equipment	**1,835**	737
Loss on disposal of listed investments	**–**	4,753
Operating lease rentals in respect of		
– rented premises	**993**	5,193
– motor vehicles	**–**	83
Staff costs:		
Salaries and allowances	**13,647**	13,160
Retirement benefit scheme contributions	**424**	460
Share options granted to employees	**1,694**	–

10. Directors' and senior executives' emoluments

(a) The emoluments paid or payable to each of directors of the Group during the year are as follows:

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefit scheme contributions HK$'000	2006 Total HK$'000
Executive directors				
Lee Yu Leung	–	476	7	483
Hon Ming Kong	–	325	–	325
Ting Pascal	–	225	3	228
Chen Jun Nong	–	155	2	157
Chan Tat Chee	–	9	–	9
Lin Hoi Kwong	–	370	7	377
Zhao Lin	–	412	–	412
Szeto Chak Wah, Michael	–	1,039	6	1,045
Lai Man Leung	–	623	6	629
Yeung Kwok Leung	–	111	3	114
Non-executive director				
Li Yong, Alfa	438	–	–	438
Independent non-executive directors				
Loo Chung Keung, Steve	92	–	–	92
Au Yeung Ka Cheung	48	–	–	48
Wong Tik Tung	26	–	–	26
Law Mun Yee	33	–	–	33
Chong Yiu Kan, Sherman	22	–	–	22
Au Tin Fung	22	–	–	22
Tsoi Wai Kwong	80	–	–	80
	761	3,745	34	4,540

Notes to the Financial Statements

For the year ended 31 March 2006

10. Directors' and senior executives' emoluments (Continued)

(a) The emoluments paid or payable to each of directors of the Group during the year are as follows: (Continued)

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefit scheme contributions HK$'000	2005 Total HK$'000
Executive directors				
Chen Jun Nong	–	260	3	263
Hon Ming Kong	–	2,511	6	2,517
Lee Yu Leung	–	840	12	852
Ting Pascal	–	300	3	303
Lin Hoi Kwong	–	196	4	200
Hon Yik Kwong	–	715	8	723
Non-executive director				
Li Yong, Alfa	765	136	–	901
Independent non-executive directors				
Loo Chung Keung	42	–	–	42
Tsoi Wai Kwong	82	–	–	82
Fork Siu Lun	100	–	–	100
Au Yeung Ka Cheung	–	–	–	–
	989	4,958	36	5,983

There were no arrangements under which any director waived or agreed to waive any emoluments in respect of the years ended 31 March 2006 and 2005.

10. Directors' and senior executives' emoluments (Continued)

(b) Details of the emoluments paid by the Group to the senior management of the Company are as follows:–

	Salaries and Allowances HK$'000	Bonus HK$'000	Retirement benefit scheme contributions HK$'000	2006 Total HK$'000
Senior management:				
Lin Hoi Kwong	790	–	12	802
Lai Sai Sang	3,012	–	73	3,085
Leung Sau Che, Jennifer	1,152	–	46	1,198
	4,954	–	131	5,085

	Salaries and Allowances HK$'000	Bonus HK$'000	Retirement benefit scheme contributions HK$'000	2005 Total HK$'000
Senior management:				
Chan Tak Hing, Kenji	529	–	12	541
Kong Ming Fai, Manfred	214	7	11	232
Leung Po Hung, Mabel	361	4	11	376
Ho Wai Hong	264	–	13	277
	1,368	11	47	1,426

There were no arrangements under which a senior management waived or agreed to waive any emoluments, and no incentive payment nor compensation for loss of office was paid or payable to any supervisor during the year.

Notes to the Financial Statements
For the year ended 31 March 2006

11. Results attributable to equity shareholders of the Company

The loss attributable to equity shareholders of the Company includes a loss of HK$131,647,000 (2005: HK$93,224,000) which has been dealt with in the financial statements of the Company.

12. Finance costs

	2006 HK$'000	2005 HK$'000
Interest on bank borrowings and overdrafts wholly repayable within five years	**488**	357
Interest on obligations under finance leases	**40**	29
Interest on other borrowings	**1,757**	8
	2,285	394

13. Taxation

	2006 HK$'000	2005 HK$'000
The charge comprises:		
Underprovision of Hong Kong Profits Tax in respect of prior years	**159**	36

No provision for Hong Kong profits tax for the current year has been made as the Group sustained a loss during the year. Taxation in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

13. Taxation (Continued)

Taxation for the year can be reconciled to the loss before taxation per the consolidated income statement as follows:

	2006 HK$'000	2005 HK$'000
Loss before taxation	**(131,092)**	(96,752)
Tax credit at the domestic income tax rate of 17.5% (2005: 17.5%)	**(22,941)**	(16,932)
Tax effect of share of results of associates	**–**	629
Tax effect of share of results of a joint venture	**–**	455
Tax effect of expenses that are not deductible in determining taxable profit	**11,172**	8,138
Tax effect of income that is not taxable in determining taxable profit	**(4,691)**	(125)
Deferred tax asset on tax losses and other timing differences not recognised	**16,460**	8,452
Tax effect of tax losses utilised but not previously recognised	**–**	(13)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**–**	(652)
Underprovision in prior years	**159**	36
Others	**–**	48
Taxation charge for the year	**159**	36

Details of deferred taxation are disclosed in note 46 to the financial statements.

Notes to the Financial Statements

For the year ended 31 March 2006

14. Dividends

No dividend has been paid or declared by the Company during the year (2005: HK$Nil).

The directors do not recommend the payment of a final dividend during the year.

15. Loss per share

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

	2006 HK$'000	2005 HK$'000
Loss for the purposes of basic loss per share	**(131,251)**	(94,376)
Weighted average number of ordinary shares for the purposes of basic loss per share	**459,620**	338,518

No diluted loss per share has been presented as the exercise of the Company's outstanding share options would result in a decrease in the loss per share.

16. Property, plant and equipment

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
The Group					
Cost:					
At 1 April 2004	6,287	5,480	3,857	2,826	18,450
Additions	181	173	671	1,769	2,794
Disposals					
– others	(964)	(87)	(68)	(2,072)	(3,191)
At 31 March 2005	5,504	5,566	4,460	2,523	18,053
Additions	69	35	129	–	233
Disposals					
– of subsidiaries	–	(228)	(153)	(399)	(780)
– others	(4,958)	(1,076)	(157)	(264)	(6,455)
At 31 March 2006	**615**	**4,297**	**4,279**	**1,860**	**11,051**
Accumulated depreciation:					
At 1 April 2004	2,034	3,276	2,512	985	8,807
Charge for the year	1,211	865	725	659	3,460
Written back on disposal					
– others	(418)	(44)	(27)	(1,022)	(1,511)
At 31 March 2005	2,827	4,097	3,210	622	10,756
Charge for the year	1,180	825	658	484	3,147
Written back on disposal					
– of subsidiaries	–	(166)	(9)	(27)	(202)
– others	(3,506)	(783)	(126)	(85)	(4,500)
At 31 March 2006	**501**	**3,973**	**3,733**	**994**	**9,201**
Net book values:					
At 31 March 2006	**114**	**324**	**546**	**866**	**1,850**
At 31 March 2005	2,677	1,469	1,250	1,901	7,297

Note: The net book value of motor vehicles of HK$866,000 (2005:HK$1,901,000) as at the balance sheet date included an amount of HK$806,000 (2005:HK$1,331,000) in respect of assets held under finance leases.

Notes to the Financial Statements

For the year ended 31 March 2006

16. Property, plant and equipment (Continued)

	Office equipment HK$'000
The Company	
Cost:	
At 1 April 2004, 31 March 2005 and 31 March 2006	157
Accumulated depreciation:	
At 1 April 2004	55
Charge for the year	40
At 31 March 2005	95
Charge for the year	39
At 31 March 2006	**134**
Net book values:	
At 31 March 2006	**23**
At 31 March 2005	62

17. Interests in subsidiaries

	The Company 2006 HK$'000	2005 HK$'000
Unlisted shares, at cost	**15,186**	15,186
Amounts due from subsidiaries, net	**255,703**	296,870
	270,889	312,056
Less: Impairment losses	**(268,762)**	(171,208)
	2,127	140,848

The amounts due from subsidiaries are unsecured, interest free and repayable on demand. In the opinion of the Directors, the amounts will not be repayable within twelve months from the balance sheet date.

Particulars of the Company's principal subsidiaries at 31 March 2006 are set out in note 50.

18. Construction in progress

Construction in progress as at 31 March 2005 represents building costs incurred by a PRC subsidiary on the construction of a plant for the operation of the waste incineration and process business.

	The Group	
	2006	2005
	HK$'000	HK$'000
Construction costs	–	18,958
Consultation costs	–	853
Decoration costs	–	342
Government fees and levies	–	1,202
Inspection fees	–	768
Installation fees	–	3,070
Licence fee	–	4,750
Project design fee	–	1,947
	–	31,890

The PRC subsidiary was disposed of in July 2005. Details of the disposal of the subsidiaries are set out in note 45.

Notes to the Financial Statements
For the year ended 31 March 2006

19. Goodwill

	HK$'000
Cost:	
At 1 April 2004	27,488
Arising on acquisition of subsidiaries during the year	653
At 31 March 2005	28,141
Elimination of amortisation accumulated prior to the adoption of HKFRS 3	(28,141)
At 1 April 2005 and 31 March 2006	–
Amortisation and impairment:	
At 1 April 2004	25,690
Charge for the year	78
Impairment loss recognised for the year	2,373
At 31 March 2005	28,141
Elimination of amortisation accumulated prior to the adoption of HKFRS 3	(28,141)
At 1 April 2005 and 31 March 2006	–
Net book values:	
At 31 March 2006	**–**
At 31 March 2005	–

The amortisation period adopted for goodwill is 20 years.

20. Interests in associates

	The Group 2006 HK$'000	2005 HK$'000
Cost of investment in associates	**35,000**	35,000
Amounts due from associates, net	**33,428**	35,428
	68,428	70,428
Share of post acquisition results of associates	**(45,607)**	(45,607)
Less: Impairment losses	**(22,821)**	(22,354)
	–	2,467

The amounts due from associates are unsecured, interest free and have no fixed terms of repayment. In the opinion of the Directors, the amounts will not be repayable within twelve months from the balance sheet date.

Particulars of the Group's associates as at 31 March 2006 were as follows:

Name of associate	Form of business structure	Place of incorporation/ operation	Class of shares held	Effective percentage of equity interest held by the Group	Principal activities
Goldluck Investment Limited *(note (a))*	Incorporated	Hong Kong/ Hong Kong	Ordinary	50%	Inactive
Bright Rich International Limited *(note (b))*	Incorporated	Hong Kong/ Hong Kong	Ordinary	50%	Inactive
Sharpway Enterprises Limited	Incorporated	British Virgin Islands/ The PRC	Ordinary	50%	Inactive
United Asia Terminal Holdings Limited	Incorporated	British Virgin Islands/ The PRC	Ordinary	40%	Investing holding
Shanghai Fortune Limited	Incorporated	Hong Kong/ The PRC	Ordinary	40%	Investing holding

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For the year ended 31 March 2006

20. Interests in associates (Continued)

Name of associate	Form of business structure	Place of incorporation/ operation	Class of shares held	Effective percentage of equity interest held by the Group	Principal activities
Fortune Union Investment Limited	Incorporated	Hong Kong/ The PRC	Ordinary	40%	Investing holding
Shanghai United Asia Container Services Co., Ltd. 上海聯亞集裝箱服務有限公司 *(note (c))*	Sino-foreign equity joint venture	The PRC/ The PRC	Registered capital	36%	Operation of container depots and provision of logistics management services business

Notes:

(a) The company was deregistered on 21 October 2005.

(b) No management accounts for the year ended 31 March 2006 were available to the directors for Bright Rich International Limited.

(c) The financial information of Shanghai United Asia Container Services Co., Limited 上海聯亞集裝箱服務有限公司 has been based on financial statements audited by the PRC auditors made up to 31 December 2005 and the management accounts made up to 31 March 2006.

(d) Save as disclosed above, the financial information of the remaining associates has been based on management accounts.

21. Interest in a joint venture

	The Group 2006 HK$'000	2005 HK$'000
Share of net assets	–	–

As at 31 March 2006, the Group had an interest in the following joint venture:

Name of company	Form of business structure	Place of incorporation and operation	Class of capital held	Attributable equity interest held by the Group	Principal activities
Dagong Credit Information Service Co., Ltd. 大公信用信息服務有限公司	Incorporated	The PRC	Registered Capital	50%	Provision of credit information rating services in the PRC

Note:

Management accounts of the joint venture for the year ended 31 March 2006 were not available to the Directors.

22. Intangible asset

	The Group HK$'000
Cost:	
At 1 April 2004, 31 March 2005 and 31 March 2006	2,380
Amortisation and impairment:	
At 1 April 2004	1,627
Charge for the year	251
At 31 March 2005	1,878
Charge for the year	251
At 31 March 2006	**2,129**
Net book values:	
At 31 March 2006	**251**
At 31 March 2005	502

The intangible asset represents trading right in the Stock Exchange.

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23. Other assets

	The Group	
	2006	2005
	HK$'000	HK$'000
The Stock Exchange		
– Compensation fund deposits	**50**	50
– Fidelity fund deposits	**50**	50
– Stamp duty deposits	**5**	5
Hong Kong Securities Clearing Company Limited		
– Guarantee fund contribution	**50**	50
– Admission fees	**50**	50
At 31 March	**205**	205

24. Investments in securities

Details of investments in securities as at 31 March 2005 are set out below. Upon the application of HKAS 39 on 1 April 2005, investments in securities were reclassified to investments held for trading (note 25).

	The Group
	2005
	HK$'000
Equity securities:	
Listed, Hong Kong	80
Unlisted	10,700
	10,780
Less: Impairment loss	(10,700)
At 31 March	80
Market value of listed securities	80

25. Investments held for trading

	The Group		The Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Non-voting cumulative redeemable convertible preference shares, at cost (note (a))	**60,800**	–	**60,800**	–
Listed investments, at cost (note (b))	**5,780**	–	**5,700**	–
	66,580	–	**66,500**	–
Less: Impairment losses	**(27,764)**	–	**(27,744)**	–
	38,816	–	**38,756**	–

Notes

(a) Pursuant to a sale and purchase agreement and supplemental agreement signed on 7 April 2005 and 8 April 2005 respectively, the Group disposed of its 51% equity interest in a subsidiary in a consideration of 100,000,000 non-voting cumulative redeemable convertible preference shares of China Science Conservational Power Limited ("CSCPL") (the "Preferences Shares"), a company listed on the Stock Exchange, at a conversion price of HK$0.76 per each conversion share and 50,000,000 new share options with the right to subscribe for ordinary shares of CSCPL.

The Preference Shares bear a fixed preferential dividend at 3% per annum. The maturity date of the Preference Shares is 3 years from the date of issue, i.e. 4 July 2008. According to the agreement, the Preference Shares can be converted to ordinary shares accompanied with the exercise of the new share options at any time before maturity date.

During the year, 5,000,000 Preference Shares were disposed of to a third party. In addition, 15,000,000 Preference Shares were converted to 15,000,000 ordinary shares which were then disposed of.

As at 31 March 2006, the carrying value represented the fair value of the remaining 80,000,000 Preference Shares. The trading of the shares of CSCPL was suspended since 29 September 2005.

The Preference Shares as at 31 March 2006 were valued by a firm of independent professional valuers at HK$36,000,000 using the discounted cash flow model, based on a specific pricing model and parameters. Accordingly, an impairment loss of HK$24,800,000 was made. In the opinion of the Directors, the conversion rights and the share options do not have any value.

(b) Listed investments of HK$5,700,000 primarily represent 7,500,000 ordinary shares of CSCPL acquired through the exercise of options held by the Company. The ordinary shares were valued at HK$2,736,000 as at 31 March 2006 based on the best judgement of the Directors, resulting in an impairment loss of HK$2,940,000.

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For the year ended 31 March 2006

26. Retention money receivables

	The Group	
	2006	2005
	HK$'000	HK$'000
Retention money receivables	**6,081**	6,202
Less: Provision for bad debts	**(837)**	–
	5,244	6,202
Less: Amounts receivable within one year included in current assets	**(4,135)**	(932)
Amounts receivable after one year	**1,109**	5,270

The amounts represent monies retained by the employees on progress payments on contract work.

The carrying amount of retention money receivables approximates their fair value.

27. Retention money payables

	The Group	
	2006	2005
	HK$'000	HK$'000
Retention money payables	**1,832**	2,415
Less: Amounts payable within one year included in current liabilities	**(447)**	(756)
Amounts payable after one year	**1,385**	1,659

The amounts represent monies retained by the Group on payments to subcontractors on contract work. The carrying amount of retention money payables approximates their fair value.

28. Accounts payable, other payables and accrued charges

Included in accounts payable, other payables and accrued charges are trade creditors amounting to HK$15,897,000 (2005: HK$4,756,000). The aged analysis of trade creditors is as follows:

	2006 HK$'000	2005 HK$'000
0 to 30 days	**12,155**	695
31 to 60 days	**160**	217
61 to 90 days	**41**	202
91 to 180 days	**–**	45
More than 180 days	**3,541**	3,597
	15,897	4,756

The carrying amount of accounts payable, other payables and accrued charges approximates their fair value.

29. Inventories

	2006 HK$'000	2005 HK$'000
Finished goods	**252**	472

30. Amounts due from customers for contract work

	2006 HK$'000	2005 HK$'000
Contract costs incurred plus attributable profits less foreseeable losses	**23,363**	84,352
Less: progress billings	**(22,706)**	(79,368)
	657	4,984

The carrying amount of amounts due from customers for contract work approximates their fair value.

Notes to the Financial Statements

For the year ended 31 March 2006

31. Progress payments receivable

The aged analysis of progress payments receivable is as follows:

	2006 HK$'000	2005 HK$'000
0 to 30 days	**10**	1,329
31 to 60 days	**2**	7
61 to 90 days	**–**	269
91 to 180 days	**131**	250
More than 180 days	**245**	387
	388	2,242
Less: Provision for doubtful debts	**(179)**	–
	209	2,242

The carrying amounts of progress payment receivables approximate their fair value.

32. Loans receivable

	2006 HK$'000	2005 HK$'000
Interest bearing loans receivable	**69,038**	38,823
Margin receivables *(Note)*	**9,587**	19,757
Less: Impairment losses	**(69,187)**	–
	9,438	58,580

Note: Margin receivables represent loans to securities margin clients which are secured by clients' pledged securities. The balances are repayable on demand and bear interest at prevailing market rate.

In the opinion of the Directors, aged analysis of loans receivable does not give additional value and is therefore not presented.

33. Accounts receivable

The Group normally grants its customers 90 days credit.

The aged analysis of accounts receivable is as follows:

	2006 HK$'000	2005 HK$'000
0 to 30 days	**11,997**	816
31 to 60 days	**92**	112
61 to 90 days	**–**	198
91 to 180 days	**–**	–
More than 180 days	**519**	242
	12,608	1,368
Less: Provision for doubtful debts	**(452)**	–
	12,156	1,368

The carrying amount of accounts receivable approximates their fair value.

34. Investment deposits

	2006 HK$'000	2005 HK$'000
Investment deposits comprise of:		
Deposit for formation of a joint venture *(note (a))*	**5,000**	10,000
Deposit for acquisition of interest in a PRC company licensed to operate an internet café chain *(note (b))*	**–**	20,000
Earnest money for acquisition of interest in a PRC company engaged in software development *(note (c))*	**20,000**	–
	25,000	30,000
Less: Impairment losses	**(25,000)**	–
	–	30,000

Notes to the Financial Statements
For the year ended 31 March 2006

34. Investment deposits (Continued)

Notes

(a) A deposit of HK$10,000,000 was paid to a PRC party in May 2002 for the formation of a sino-foreign joint venture in the PRC in which the Group will own 49%. The joint venture was to be principally engaged in construction engineering consultancy and advisory services. The joint venture could not obtain the business licence and half of the deposit amounting to HK$5,000,000 was refunded on 18 July 2005. In the opinion of the Directors, full provision has been made in respect of the remaining HK$5,000,000.

(b) On 23 April 2004, the Group entered into a letter of intent with an independent third party for the acquisition of not more than 50% equity interest in a PRC company licensed to operate an internet café chain in the PRC. Pursuant to the letter of intent, the Group paid earnest money in the amount of HK$20,000,000. The Group further entered into a supplemental letter of intent with the independent third party on 24 November 2004 to extend the exclusivity period for conducting due diligence review on the affairs of the PRC company to 22 December 2004. The acquisition was subsequently cancelled and the deposit was fully refunded during the year.

(c) On 15 July 2005, the Group entered into a letter of intent with an independent third party and a guarantor in relation to the proposed acquisition of certain equity interests in a PRC company, which is principally engaged in the design and distribution of application software specifically for hospitals and clinics in the PRC. Pursuant to the terms of the letter of intent, the Group paid HK$20,000,000 as earnest money. The Group has made full provision in respect of this deposit as at 31 March 2006.

35. Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2006	2005	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000
Amounts payable under finance leases:				
Within one year	**306**	445	**275**	405
More than one year but not exceeding two years	**278**	305	**250**	275
More than two years but not exceeding five years	**440**	719	**396**	646
	1,024	1,469	**921**	1,326
Less: Future finance charges	**(103)**	(143)		
Present value of lease obligations	**921**	1,326		
Less: Amounts due for settlement within one year			**(275)**	(405)
Amounts due for settlement after one year			**646**	921

36. Bank overdrafts (secured)

	The Group	
	2006	2005
	HK$'000	HK$'000
Bank overdrafts (secured)	**4,098**	9,397

The bank overdrafts are denominated in Hong Kong dollars and repayable on demand.

The average interest rate paid for bank overdrafts is prime rate to prime rate – 1% (2005: prime rate – 1%).

The carrying amount of bank overdrafts approximates the fair value due to short maturity.

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37. Other borrowings

	The Group	
	2006	2005
	HK$'000	HK$'000
Unsecured borrowing	**11,718**	–

Pursuant to a loan agreement signed between the Group and lender dated 30 August 2005, a loan of HK$20,000,000 was advanced to the Group to be repaid in full on 30 September 2005. The amount is unsecured and bears interest rate at 24%.

As at 31 March 2006, the Group had repaid HK$10,000,000 to the lender. The balance of the loan, together with interest thereon amounted to HK$11,718,000.

The carrying amount of other borrowing approximates their fair value.

38. Share capital

	The Company	
	2006	2005
	HK$'000	HK$'000
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	**100,000**	100,000
Issued and fully paid:		
464,070,000 (2005: 386,726,000) ordinary shares of HK$0.10 each	**46,407**	38,672

38. Share capital (Continued)

A summary of the movements in the authorised, issued and fully paid share capital of the Company during the year is as follows:

	Number of shares	Amount HK$'000
Authorised:		
Balance as at 1 April 2004, 31 March 2005 and 31 March 2006	1,000,000,000	100,000
Issued and fully paid:		
Balance as at 1 April 2004	322,272,000	32,227
Shares issued on 30 December 2004 *(note (a))*	64,454,000	6,445
Balance as at 31 March 2005	386,726,000	38,672
Shares issued on 21 April 2005 *(note (b))*	77,344,000	7,735
Balance as at 31 March 2006	**464,070,000**	**46,407**

Note:

(a) On 30 December 2004, the Company placed a total of 64,454,000 new shares of HK$0.10 each of the Company at a consideration of HK$0.23 per share, through Kingston Securities Limited, to independent investors pursuant to the placing underwriting agreement dated 4 November 2004. The net proceeds of the placing amounted to approximately HK$14.4 million and was to be used for making future investment or to be retained by the Group for general working capital purpose. The new shares issued rank pari passu with the then existing shares in issue in all respects.

(b) On 21 April 2005, the Company placed a total of 77,344,000 new shares of HK$0.10 each at a consideration of HK$0.40 per share, through Kingston Securities Limited, to independent investors pursuant to the placing underwriting agreement dated 22 March 2005. The net proceeds of the placing amounted to approximately HK$30.1 million and will be used for making future investment or will be retained for general working capital purposes. The new shares issued rank pari passu with the then existing shares in issue in all respects.

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39. Share options

The Company had a share option scheme (the "2001 share option scheme") which was adopted on 3 April 2001. Pursuant to a shareholders' resolution dated 12 February 2003, the 2001 share option scheme enabling the directors to grant options to employees, including Executive Directors of the Company and its subsidiaries, to subscribe for shares of the Company was terminated.

A new share option scheme (the "New Option Scheme") was approved and adopted by the shareholders of the Company on 12 February 2003. The New Option Scheme is valid and effective for a period of 10 years after the date of adoption. Outstanding options granted pursuant to the 2001 share option scheme shall continue to be subject to the provisions of the 2001 share option scheme and the adoption of the New Option Scheme will not in any event affect the terms of the grant of such outstanding options.

Under the terms of the New Option Scheme, the Directors of the Company may, at their discretion, grant options to the full-time employees, including Executive Directors of the Company and its subsidiaries, to subscribe for shares of the Company for recognition of their contribution as incentives or rewards. Options granted must be taken up within 30 days of the date of grant. A nominal consideration of HK$1 is payable on acceptance of the grant of an option which will entitle the holders to subscribe for shares of the Company during a period of 5 years commencing on the date of acceptance of the option at a price not less than the higher of (i) the nominal value of the shares of the Company; (ii) the closing price of the shares of the Company on the Stock Exchange on the date of grant; and (iii) the average of the closing prices of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of the grant of the option. The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the New Option Scheme and any other schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time. Subject to the shareholders' approval, the maximum number of shares in respect of which options may be granted under the New Option Scheme shall not exceed 10% of the shares in issue as at the date of the approval, or the maximum number of shares in respect of which options may be granted to any employee may not exceed 1% of the shares in issue from time to time in a 12-month period. Subject to the entitlements of dividends, bonus, rights declared before the exercise of options, any shares allotted and issued on the exercise of an option will rank pari passu with the other shares in issue at the date of exercise of the relevant option.

An ordinary resolution relating to the refreshment of the limit to grant of option under the New Option Scheme was duly passed at the Extraordinary General Meeting held on 18 March 2005.

At 31 March 2006, 25,522,600 (2005:18,730,000) options had been granted and remained outstanding under the share option schemes of the Company, representing 6.3% (2005: 4.8%) of the shares of the Company in issue at that date.

39. Share options (Continued)

The following table disclose details of the Company's share options held by employees (including directors) and movements in such holdings during the year:

For the year ended 31 March 2006

Option type	Outstanding at 1 April 2005	Granted during the year	Lapsed during the year	Outstanding at 31 March 2006
2002A	2,000,000	–	(2,000,000)	–
2003C	2,000,000	–	(2,000,000)	–
2003D	2,000,000	–	(2,000,000)	–
2004A	200,000	–	(200,000)	–
2004B	8,400,000	–	(2,000,000)	6,400,000
2004C	3,630,000	–	(1,000,000)	2,630,000
2005A	500,000	–	–	500,000
2006A	–	19,792,600	(3,800,000)	15,992,600
Total	18,730,000	19,792,600	(13,000,000)	25,522,600

Details of the share options held by the Directors during the year and included in the above table are as follows:

For the year ended 31 March 2006

	Option type	Outstanding at 1 April 2005	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31 March 2006
Directors:						
Mr Hon Ming Kong (a)	2003D	2,000,000	–	(2,000,000)	–	–
	2004B	2,000,000	–	–	–	2,000,000
Mr Lee Yu Leung (b)	2002A	2,000,000	–	(2,000,000)	–	–
	2004B	2,000,000	–	–	–	2,000,000
Mr Lin Hoi Kwong (c)	2003C	2,000,000	–	(2,000,000)	–	–
		10,000,000	–	(6,000,000)	–	4,000,000

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39. Share options (Continued)

Notes:

(a) Mr Hon Ming Kong resigned as Director of the Company on 31 October 2005.

(b) Mr Lee Yu Leung resigned as Director of the Company on 31 October 2005.

(c) These share options were held by Mr Lin's wife and hence, he was deemed to be interested in it. Mr Lin Hoi Kwong held his directorate in the Company during the period from 6 December 2004 to 31 October 2005.

Details of specific categories of options are as follows:

Option type	Date of grant	Exercise period	Closing price immediately before/on the date of grant HK$	Exercise price per share HK$
2002A	1 February 2002	1 September 2002 to 31 August 2007	1.520	1.4944
2003C	3 May 2002	3 November 2002 to 2 November 2007	4.530	4.6200
2003D	14 May 2002	14 November 2002 to 13 November 2007	4.950	4.9600
2004A	28 July 2003	28 July 2003 to 27 July 2008	1.350	1.3500
2004B	27 August 2003	27 August 2003 to 26 August 2008	1.170	1.3060
2004C	16 January 2004	16 January 2004 to 15 January 2009	0.840	0.8520
2005A	1 April 2004	1 April 2004 to 31 March 2009	0.700	0.7000
2006A	2 August 2005	2 August 2005 to 1 August 2010	0.340	0.3520

Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

39. Share options (Continued)

The fair value of share options granted was calculated using The Black-Scholes pricing model as follows:

Date of grant	Share price	Exercise price	Based on expected life of share options	Expected volatility Hong Kong historical volatility of share prices	Expected Exchange Fund Notes rate	Annual divided yield
2 August 2005	0.335	0.352	5 years	95%	3.714%	0%

Expected volatility was determined by using the historical volatility of the Company's share price over the period from 2001 to 2005. The expected life used in the model has been adjusted, based on management's best estimation, for the effects of non transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expenses of HK$1,694,000 for the year ended 31 March 2006 (2005: HK$Nil) in relation to share options granted by the Company.

40. Reserves

The Company

	Share premium HK$'000	Share option reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2004	202,790	–	80,657	(97,015)	186,432
Net loss for the year	–	–	–	(93,224)	(93,224)
Share premium arising from issue of shares	8,379	–	–	–	8,379
Share issue expenses	(379)	–	–	–	(379)
At 31 March 2005	210,790	–	80,657	(190,239)	101,208
Net loss for the year	–	–	–	(131,647)	(131,647)
Share premium arising from issue of shares	23,174	–	–	–	23,174
Equity settled share-based transactions	–	1,694	–	–	1,694
Share issue expenses	(780)	–	–	–	(780)
At 31 March 2006	**233,184**	**1,694**	**80,657**	**(321,886)**	**(6,351)**

Note:

The contributed surplus of the Company represents the difference between the fair values of the underlying net assets of the subsidiaries at the date on which they were acquired by the Company and the nominal amount of the Company's shares issued under the corporate reorganisation of the Group.

41. Major non-cash transactions

As disclosed in notes 25(a) and 45, during the year, the Group disposed of two of its subsidiaries to China Science Conservational Power Limited ("CSCPL") for a consideration of HK$76,000,000 satisfied by CSCPL issuing 100,000,000 of its non-voting cumulative redeemable convertible preference shares to the Company at HK$0.76 per share.

42. Contingent liabilities

The Group had no material contingent liabilities as at 31 March 2006 and 2005.

The Company has executed guarantees in favour of the landlords of certain properties leased by a subsidiary for due performance of obligations under the tenancy agreements. As at the balance sheet date, the Group had no outstanding leasing commitments (2005: HK$228,000). The Company has also executed corporate guarantee to a bank in favour of a subsidiary to the extent of HK$5,000,000 and the related interest thereon.

43. Capital commitments

Capital commitments outstanding as at 31 March 2006 not provided for in the financial statements were as follows:

	2006 HK$'000	2005 HK$'000
Contracted for but not provided in the financial statements in respect of:		
– the construction for the waste incineration and processing plant in Dongguan, the PRC *(Note)*	–	70,267
– the acquisition of the cable cutting and testing equipment	**75**	–
	75	70,267
Authorised but not contracted for in respect of		
– the construction for the waste incineration and processing plant in Dongguan, the PRC	–	130,687
	75	200,954

Note:

The commitments were in respect of the Dongguan waste incineration and processing plant which was disposal of to a connected party in July 2005, further details of which were set out in the Company's circular dated 17 May 2005.

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44. Operating lease commitments

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

	2006 HK$'000	2005 HK$'000
Land and buildings:		
Operating lease which expire:		
– within one year	**654**	1,559
– in the second to fifth year inclusive	**–**	894
	654	2,453

Operating lease payments for land and buildings represent rentals payable by the Group for its office premises and employees' quarters. Leases are negotiated for an average term of two (2005: two) years.

45. Disposal of subsidiaries

As disclosed in note 25(a), in July 2005, the Group disposed of its holding of 100% and 51% in the equity interest of Hong Tong Hai Investments Limited and Dongguan China Sciences Conservational Power Co., Ltd. respectively to CSCPL. The consideration for the disposal was 100,000,000 non-voting cumulative redeemable convertible preference shares in CSCPL at HK$0.76 per share.

The net assets of subsidiaries disposed of at the date of disposal and the gain of disposal were as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment	578
Prepayments and other receivables	120,358
Bank balances and cash	584
Trade and other payables	(21,832)
Net assets disposed of	99,688
Minority interest	(49,162)
	50,526
Cumulative amount of exchange differences	(468)
Other	15
Gain on disposal of subsidiaries	25,927
Non-voting cumulative redeemable convertible preference shares received	76,000
Cash consideration received	–
Net outflow of cash and cash equivalents on disposal of subsidiaries:	
Bank balances and cash disposed of	(584)
Cash consideration received	–
	(584)

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46. Deferred taxation

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior reporting periods:

The Group

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At 1 April 2004	251	(249)	2
(Credit) charge to profit and loss for the year	(189)	189	–
At 31 March 2005	62	(60)	2
(Credit) charge to profit and loss for the year	(60)	60	–
At 31 March 2006	**2**	**–**	**2**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax relates to the same fiscal authority. The following is an analysis of the deferred tax balances for financial reporting purposes:

	2006 HK$'000	2005 HK$'000
Deferred tax liabilities	**2**	2
Deferred tax assets	**–**	–
	2	2

At 31 March 2006 the Group has unused tax losses of approximately HK$159,588,000 (2005: HK$115,000,000) available for offset against future profits. A deferred tax asset has been recognised for the year ended 31 March 2006 in respect of approximately HK$Nil (2005:HK$343,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses due to the unpredictability of future profit streams. Unrecognised tax losses may be carried forward indefinitely.

47. Pledged bank deposits

At 31 March 2006, the Group had pledged bank deposits of approximately HK$2 million (2005: HK$2 million) to secure certain bank facilities available to the Group.

In addition, the Group's bank overdrafts of HK$3,210,000 (2005: HK$8,490,000) as at the balance sheet date were secured on the securities held by the Group's margin loan borrowers.

48. Retirement benefits schemes

The Group has joined a Mandatory Provident Fund Scheme ("MPF Scheme") for all its employees. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group in respect of the MPF Scheme is to make the required contributions under the MPF Scheme

The group companies operating in the PRC have participated in defined contribution retirement schemes organised by the relevant local government authorities in the PRC. All PRC employees are entitled to an annual pension equal to a fixed portion of their ending basic salaries at their retirement dates. These group companies are required to make specific contributions to the retirement schemes at a certain rate of basic salary of its PRC employees and have no further obligation for post-retirement benefits beyond of the annual contributions made.

The amounts charged to the income statement represented contributions payable to the MPF Scheme by the Group at rates specified in the rules of the MPF Scheme.

49. Related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following significant related party transactions during the year:

(a) The Group received rental income of HK$230,000 (2005: HK$620,000) from Abba China Holdings Limited, which is a wholly owned subsidiary of China Sciences Conservational Power Limited of which Mr Hon Ming Kong and Mr Chan Tat Chee were directors and have beneficial interests.

(b) The Group paid rental expenses of approximately HK$631,000 (2005: HK$520,000) and building management fees of approximately HK$158,000 (2005: HK$137,000) to Major Glory Enterprises Limited in which a former substantial shareholder of the Company, Mr Lai Sai Sang had beneficial interests. Mr Lai Sai Sang is also a director of various subsidiaries of the Company.

(c) The Group paid rental expenses, building management fees and rates of approximately HK$795,000 (2005: HK$Nil) to Abba Entertainment Group Limited, of which Mr Chan Tat Chee has beneficial interests. Mr Chan Tat Chee was a former Director and Chairman of the Group.

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49. Related party transactions (Continued)

(d) During the year, the Group disposed of two subsidiaries to China Sciences Conservational Power Holdings Limited ("CSCPL"). This disposal constituted a major transaction for the Group under the Listing Rules. As CSCPL is deemed to be an associate of Mr Hon Ming Kong who was a Director and substantial shareholder and an associate of Mr Chan Tat Chee who is a Director and the Chairman of the Company, details of the disposal are set out in note 45 of the financial statements and the Company's circular to shareholders dated 17 May 2005.

50. Principal subsidiaries

Details of the Company's principal subsidiaries as at the 31 March 2006, all of which are wholly owned by the Company, unless otherwise stated, are as follows:

Name of subsidiary	Place of incorporation	Issued and fully paid share capital/ registered capital		Principal activities
		Ordinary/ registered	Deferred	
Brongham Park Limited	Hong Kong	HK$20	HK$1,000,000	Trading in diesel generating sets
China Legend International Limited	Hong Kong	HK$10,000	–	Investment holding
Ever Ace Investment Limited	Hong Kong	HK$2	–	Administrative centre and investment holding
Hong Tong Hai Consultants Limited	Hong Kong	HK$2	–	Investment holding
Hong Tong Hai Logistics Limited	The British Virgin Islands	US$100	–	Investments holding
Hong Tong Hai Securities Limited	Hong Kong	HK$21,000,000	–	Securities brokerage
Honsda (HK) Electronics Limited	Hong Kong	HK$1	–	Trading of electronic products
Jetcom Limited	The British Virgin Islands	US$1	–	Investment holding
MindGenius Secretarial Services Limited	Hong Kong	HK$10,000	–	Provision of company secretarial services

50. Principal subsidiaries (Continued)

Name of subsidiary	Place of incorporation	Issued and fully paid share capital/ registered capital Ordinary/ registered	Deferred	Principal activities
Oriental Overseas Group Limited	The British Virgin Islands	US$50,000	–	Investment holding
Sinogear Enterprises Limited	The British Virgin Islands	US$1	–	Investment holding
TopStar Enterprises (Holdings) Limited	The British Virgin Islands	US$1	–	Investment holding
Tribest Investments Limited	The British Virgin Islands	US$1	–	Investment holding
Yew Sang Hong (China) Limited	The British Virgin Islands	US$1	–	Investments holding
Yew Sang Hong (BVI) Limited	The British Virgin Islands	US$1	–	Investments holding
Yew Sang Hong Trading (China) Limited	Hong Kong	HK$2	–	Trading in electrical equipment and materials
Yew Sang Hong Building Services (Maintenance) Engineering Limited	Hong Kong	HK$2	–	Building maintenance
Yew Sang Hong Investment Services Limited	The British Virgin Islands	US$1	–	Investment holding
Yew Sang Hong Limited	Hong Kong	HK$20	HK$12,524,000 *(Note (d))*	Electrical engineering contracting
Yew Sang Hong Trading Limited	Hong Kong	HK$2	HK$2 *(Note (d))*	Trading in electrical equipment and materials

Notes to the Financial Statements

For the year ended 31 March 2006

50. Principal subsidiaries (Continued)

Name of subsidiary	Place of incorporation	Issued and fully paid share capital/ registered capital Ordinary/ registered	Deferred	Principal activities
Wellink Shipping Limited	Hong Kong	HK$2	–	Sea freight forwarding services
北京易行商盟在線網絡技術有限公司 *(Note (c))*	The PRC	US$300,000	–	Inactive

Notes:

(a) Other than Yew Sang Hong (BVI) Limited, Yew Sang Hong (China) Limited, Yew Sang Hong Investment Services Limited, Hong Tong Hai Logistics Limited and Oriental Overseas Group Limited which are directly held by the Company, all other companies are indirectly held by the Company.

(b) Other than those subsidiaries incorporated in the British Virgin Islands, whose place of operations are basically in Hong Kong, the places of operations of all other subsidiaries are the same as their places of incorporation.

(c) This subsidiary is 60% held by the Group and is a foreign investment enterprise established in the PRC. No management accounts were available to the Directors for the year ended 31 March 2006.

(d) The deferred shares are shares whose shareholders are neither entitled to receive notices, attend, vote at any general meetings nor to receive any dividend out of operating profit and have very limited rights on return of capital of the subsidiaries. The deferred shares are held by the former directors of the Company, Mr Lai Sai Sang and Ms Leung Sau Che, Jennifer, who have been granted options by the Group to acquire these deferred shares at nominal value.

(e) None of the subsidiaries had issued any debt securities at the end of the year.

(f) The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particular excessive length.

51. Financial risk management

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate and currency risk. These risks are limited by the Group's financial management policies and practices described below. Generally, the Group introduces conservative strategies on its risk management. The Group has not used any derivatives and other instruments for hedging purposes nor does it hold or issue derivative financial instruments for trading purposes.

(a) Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables, retention money receivable, progress payment receivable, loans receivable and investments held for trading.

The Group's credit risk is primarily attributable to its receivables. The amounts presented in the balance sheet are net of provisions for doubtful receivables. A provision for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

(b) Liquidity risk

The Group will consistently maintain a prudent financial policy and ensure that it maintains sufficient cash to meet its liquidity requirements.

(c) Fair value and cash flow interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As the Group has no significant interest-bearing assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

(d) Foreign exchange risk

The Group's main operations are in Hong Kong and has no significant exposure to any specific foreign currency other than Hong Kong dollars.

51. Financial risk management (Continued)

(e) Fair values estimation

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2006.

Fair value of securities is based on quoted market, prices or professional valuation at the balance sheet date without any deduction from transaction costs. Fair values for the unquoted equity investments are estimated using the applicable price/earning ratios for similar listed companies adjusted for the specific circumstances of the issuer.

The fair value of interest-bearing loans and borrowings and finance lease liabilities is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

52. Post balance sheet event

Three subsidiaries of the Group had been assessed profits tax charge by the Inland Revenue Department for the year of assessment 2004/05 by way of estimated assessments. The total amount of profits tax so assessed is HK$725,564.

The previous auditors, HLB Hodgson Impey Cheng, had obtained a legal opinion and refused to issue the audited financial statements for all the subsidiaries of the Group for year ended 31 March 2005. Without the audited financial statements, the Group was unable to lodge valid objections against the estimated assessments, despite the three subsidiaries not having any assessable profits for the year of assessment in question. The Group had no alternative other than to pay profits tax of HK$725,564 to the Inland Revenue Department.

53. Other matters

Incident occurred on 29 September 2005.

Background

On 29 September 2005, the Independent Commission against Corruption (the "ICAC") issued a press release in relation to the arrest of 22 individuals for alleged corruption over the misappropriation of funds from two listed companies. It was subsequently mentioned in certain press articles that several former Directors of the Company had been arrested. Certain records and documents of the Group have been seized by ICAC for the purpose of investigation. The Company's shares have been suspended for trading on the Stock Exchange since 29 September 2005.

As set out in the ICAC's website, *www.icac.org.hk* on 20 February 2006, Mr Chan Tat Chee and Mr Hon Ming Kong both were former Directors of the Company until 31 October 2005, were charged with alleged conspiracy to defraud the Company involving Company's funds totalling HK$13 million (the "Charges"). Mr Chan and Mr Hon were also involved alleged conspiracies to defraud Central China Enterprises Limited, later renamed as China Science Conservational Power Limited, a company listed on the Stock Exchange of Hong Kong Limited. The alleged offences took place between January 2004 and April 2005.

The Company is neither a party to any Charges nor is the Company in any way implicated under the Charges. Except for the above, there are no other legal proceedings known to the Company that might involve or concern the Company, nor its present or past officers in relation to the above event.

Measures taken by the Company

With a view to restore the creditability of the board of directors of the Company and safeguarding the interests of the Company, the Board has implemented the following measures:

(a) Changes in directorships

(i) On 4 October 2005, Mr Chan Tat Chee resigned as Chairman and was re-designated to a Non-Executive Director of the Company on the same date. He subsequently resigned as Non-Executive Director of the Company on 31 October 2005.

(ii) On 4 October 2005, Mr Hong Ming Kong and Mr Lee Yu Leung were re-designated from Executive Directors of the Company to Non-Executive Directors. Both of them subsequently resigned as Non-Executive Directors of the Company on 31 October 2005.

(iii) On 4 October 2005, Mr Loo Chung Keung, Steve was re-designated as an Executive Director and was appointed as Chairman of the Company. He subsequently resigned as Executive Director and Chairman of the Company on 26 October 2005.

Notes to the Financial Statements

For the year ended 31 March 2006

53. Other matters (Continued)

Measures taken by the Company (Continued)

(a) Changes in directorships *(Continued)*

(iv) On 4 October 2005, Mr Lin Hoi Kwong was appointed as Chief Executive Officer of the Company. He subsequently resigned as Chief Executive Officer of the Company on 31 October 2005.

(v) On 26 October 2005, Mr Szeto Chak Wah, Michael was appointed as the Chairman and an Executive Director of the Company. On 27 April 2006, he resigned as Chairman and an Executive Director of the Company.

(vi) On 26 October 2005, Mr Lai Man Leung was appointed as an Executive Director of the Company. On 27 April 2006, he resigned as an Executive Director of the Company.

(vii) On 27 October 2005, Mr Au Yeung Ka Cheung resigned as an Independent Non-Executive Director of the Company.

(viii) On 2 November 2005, Ms Law Mun Yee was appointed as an Independent Non-Executive Director of the Company. On 27 April 2006, she resigned as an Independent Non-Executive Director of the Company.

(ix) On 23 December 2005, Mr Au Tin Fung was appointed as an Independent Non-Executive of the Company. On 10 May 2006, he resigned as an Independent Non-Executive Director of the Company.

(x) On 23 December 2005, Mr Chong Yiu Kan, Sherman was appointed as an Independent Non-Executive Director of the Company. On 27 April 2006, he resigned as an Independent Non-Executive Director of the Company.

(xi) On 23 December 2005, Mr Yeung Kwok Leung was appointed as an Executive Director of the Company.

(xii) On 10 May 2006, Ms You Wei and Mr Ng Khai Wain were appointed as Executive Directors of the Company. Ms You Wei was appointed as the Chairman and Mr Ng Khai Wain was appointed as the Chief Executive Officer of the Company on 29 June 2006.

(xiii) On 10 May 2006, Mr Albert Ho, Mr Shane Phillips and Mr Cai Zhixu were appointed as Independent Non-Executive Directors of the Company.

(xiv) On 10 May 2006, Mr Tsoi Wai Kwong resigned as an Independent Non-Executive Director of the Company.

53. Other matters (Continued)

Measures taken by the Company (Continued)

(a) Changes in directorships *(Continued)*

Details of the above appointments, re-designation, resignations and changes in duties have been disclosed in announcements published by the Company.

(b) Formation of Management committee

On 4 October 2005, a management committee comprising Mr Loo Chung Keung, Steve, Mr Lin Hoi Kwong and Mr Kam Yiu Shing, Tony was formed to carry out the management functions of the Board of the Directors and to oversee and supervise the daily operation of the Company. The management committee was dissolved on 31 October 2005.

(c) Formation of a Special Board Committee

On 31 October 2005, a special board committee comprising Mr Szeto Chak Wah, Michael and Mr Lai Man Leung was formed to review the existing financial and business positions of the Group. The Special Board Committee was dissolved on 29 June 2006.

(d) Review of the financial affairs

On 13 December 2005, on the recommendation of the Special Board Committee, the Group appointed, CCIF CPA Limited, a firm of certified public accountants to conduct a review of the financial affairs of the Group for the period from 1 April 2005 to 31 December 2005.

(e) Response to the Charges

In respect of the Charges laid by the ICAC, as the proceedings are still ongoing, the Company considers it is inappropriate to make any comment thereon at this stage. If and when the Company obtains further information on the Charges, the Company may seek legal advice as to what appropriate steps it should take, after considering all relevant factors including the status of any legal proceedings ongoing at that time.

Based on the information available to the Company as at the date of this report, the Directors of the Company believe that the Charges would not have a significant adverse impact to the financial and trading position of the Group.

In the absence of further information about the Charges, the Directors of the Company are however unable to determine, on a reasonable and proper basis, the financial impact that might arise in respect of the Charges.

54. Comparative figures

Certain comparative figures were re-classified to conform with current year's presentation.