Notes to the Financial Statements

31 March 2006

1. INFORMATION OF REPORTING ENTITY

A-Max Holdings Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

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

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The Group had a net current liabilities of approximately HK$1,886,000 at 31 March 2006 and reported a net cash outflow from operating activities of approximately HK$16,237,000 for the year ended 31 March 2006. The financial statements have been prepared on a going concern basis. The continuation of the Group's business depends upon the following:

(a) term loan facility of HK$20 million granted in July 2005 in which an amount of approximately HK$10,437,000 was utilised as at 31 March 2006;

(b) continuing financial supports from the term loan lenders who have already expressed intentions to renew the term loans upon maturity (note 22(a)); and

(c) future profitable operations of the Group.

In the opinion of the directors of the Company, the Group will have sufficient working capital for its future operational requirements.

Notes to the Financial Statements

31 March 2006

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 34.

(c) Subsidiaries and controlled entities

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

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

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

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

(d) Associate

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

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, unless it is classified as held for sale. The consolidated income statement includes the Group's share of the post-acquisition, post-tax result of the associate for the year, including any impairment loss on goodwill relating to the investment in the associate recognised for the year (see notes 2(e) and (j)).

Notes to the Financial Statements

31 March 2006

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Associate *(Continued)*

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

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

In the Company's balance sheet, its interest in the associate is stated at cost less impairment losses (see note 2(j)), unless it is classified as held for sale.

(e) Goodwill

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

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 2(j)). In respect of the associate, the carrying amount of goodwill is included in the carrying amount of the interest in the associate.

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

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

(f) Other investments in equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries and associate, are as follows:

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 2(j)).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Other investments in equity securities *(Continued)*

Other investments in securities are classified as available-for-sale securities and are initially recognised at fair value plus transaction costs. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity, except for impairment losses (see note 2(j)) which are recognised directly in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

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

(g) Property, plant and equipment

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

– buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease (see note 2(h)); and

– other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(u)).

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

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

– Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.

– Leasehold improvements	Over the shorter of the lease terms or 5 years
– Plant and machinery	5 years
– Furniture and equipment	5 years
– Motor vehicles	5 years

Notes to the Financial Statements
31 March 2006

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Property, plant and equipment *(Continued)*

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

(h) Leased assets

(i) Classification of assets leased to the Group

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

(ii) Operating lease charges

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

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(i) Trade and other receivables

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets

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

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

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

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

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

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

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

Notes to the Financial Statements
31 March 2006

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets *(Continued)*

(ii) Impairment of other assets

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

– property, plant and equipment;

– pre-paid interests in leasehold land classified as being held under an operating lease;

– investments in subsidiaries and associate (except for those classified as held for sale (or included in a disposal group that is classified as held for sale)); and

– goodwill.

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

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets *(Continued)*

(ii) Impairment of other assets (Continued)

– Reversals of impairment losses

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

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

(k) Inventories

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

Cost is calculated using the first-in, first-out basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

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

(l) Convertible notes

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

Notes to the Financial Statements

31 March 2006

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Convertible notes *(Continued)*

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

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

(m) Interest-bearing borrowings

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

(n) Trade and other payables

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

(o) Cash and cash equivalents

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

(p) Employee benefits

(i) Short term employee benefits and contributions to defined contribution plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans 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 values.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Employee benefits *(Continued)*

(ii) Share based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. 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 asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

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

(q) Income tax

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

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

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

Notes to the Financial Statements

31 March 2006

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Income tax *(Continued)*

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Income tax *(Continued)*

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Provisions and contingent liabilities

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

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

(s) Revenue recognition

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

(i) Sale of goods

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

Notes to the Financial Statements
31 March 2006

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Revenue recognition *(Continued)*

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset.

(iii) Dividend income

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

(iv) Interest income

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

(t) Translation of foreign currencies

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

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

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

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

Notes to the Financial Statements
31 March 2006

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Borrowing costs

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

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

(v) Related parties

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Segment reporting *(Continued)*

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.

3. CHANGE IN ACCOUNTING POLICIES

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

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

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 35).

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

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

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

As there were no options existed at 1 April 2004 and 2005 or granted during the years ended 31 March 2005 and 2006, the adoption of HKFRS 2 has no impact on the Group's net assets and results for the current and prior years.

3. CHANGE IN ACCOUNTING POLICIES *(Continued)*

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

Amortisation of goodwill

In prior periods:

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

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

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

With effect from 1 April 2005, in order to comply with HKFRS 3 and HKAS 36, the Group has changed its accounting policies relating to goodwill. Under the new policy, the Group no longer amortises positive goodwill but tests it at least annually for impairment. Also with effect from 1 April 2005 and in accordance with HKFRS 3, if the fair value of the net assets acquired in a business combination exceeds the consideration paid (i.e. an amount arises which would have been known as negative goodwill under the previous accounting policy), the excess is recognised immediately in profit or loss as it arises. Further details of these new policies are set out in note 2(e)).

In respect of negative goodwill which arose on acquisition of an associate, the new policy resulted in an increase in "profit/(loss) for the year" in the consolidated income statement for the year ended 31 March 2006 by approximately HK$178,800,000 and an increase in the carrying amount of "interest in an associate" in the consolidated balance sheet as at 31 March 2006 by the same amount, and there has been no effect on the opening balance as there was no negative goodwill existed as at 31 March 2005.

Notes to the Financial Statements

31 March 2006

3. CHANGE IN ACCOUNTING POLICIES *(Continued)*

(c) Leasehold land and buildings (HKAS 17, Leases)

In prior years, leasehold land and buildings held for own use were stated at revalued amounts less accumulated depreciation and accumulated impairment losses. Movements of revaluation surpluses or deficits were normally taken to the revaluation reserve.

With effect from 1 April 2005, in order to comply with HKAS 17, the Group has adopted a new policy for leasehold land and buildings held for own use. Under the new policy, the leasehold interest in the land held for own use is accounted for as being held under an operating lease where the fair value of the interest in any buildings situated on the leasehold land could be measured separately from the fair value of the leasehold interest in the land at the time the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later.

Further details of the new policy are set out in notes 2(g) and (h). Any buildings held for own use which are situated on such land leases continue to be presented as part of property, plant and equipment. However, as from 1 April 2005 the buildings are also stated at cost less accumulated depreciation, rather than at fair value, to be consistent with the new policy required to be adopted for the land element.

The new accounting policy has been adopted retrospectively. The new accounting policy resulted in a reclassification of HK$4,538,924 (2005: HK$4,643,566) from "property, plant and equipment" to "interests in leasehold land held for own use under operating leases" in the consolidated balance sheet.

(d) Property, plant and equipment (HKAS 16, Property, plant and equipment)

In prior years, property, plant and equipment were stated at revalued amounts less accumulated depreciation and accumulated impairment losses. Movements of revaluation surpluses or deficits were taken to the revaluation reserve.

With effect from 1 April 2005, in order to comply with HKAS 16, the Group has adopted cost model as a new policy for property, plant and equipment. Under the new policy, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Further details of the new policy are set out in note 2(g).

The change in accounting policy has been adopted retrospectively by increasing the Group's loss before taxation for the year ended 31 March 2005 and decreasing the Group's net assets as at 31 March 2005 by approximately HK$27,406,000 and HK$57,014,000, respectively.

As a result of this new policy, the Group's profit before taxation for the year ended 31 March 2006 has decreased by approximately HK$27,407,000.

3. CHANGE IN ACCOUNTING POLICIES *(Continued)*

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

In prior years, the accounting policies for convertible notes issued were stated at its face value.

With effect from 1 April 2005, and in accordance with HKAS 32 and HKAS 39, the following new accounting policies are adopted for convertible notes. Convertible notes issued are split into their liability and equity components at initial recognition by recognising the liability component at its fair value and attributing to the equity component the difference between the proceeds from the issue and the fair value of the liability component. The liability component is subsequently carried at amortised cost. The equity component is recognised in the capital reserve until the note is either converted (in which case it is transferred to share premium) or the note is redeemed (in which case it is released directly to retained profits). Further details of the new policy are set out in note 2(l).

This change was adopted by way of an adjustment to an increase in the opening balance of the capital reserve of approximately HK$872,000 and a decrease in the opening balance of the retained profits of approximately HK$415,000 as at 1 April 2005.

The change in accounting policy has been adopted retrospectively by increasing the Group's loss before taxation for the year ended 31 March 2005 and the Group's net assets as at 31 March 2005 by approximately HK$415,000 and HK$715,000, respectively.

As a result of this new policy, profit for the year ended 31 March 2006 has decreased by approximately HK$112,000.

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

As a result of the adoption of HKAS 24, Related party disclosures, the definition of related parties as disclosed in note 2(v) has been expanded to clarify that related parties include entities that are under the significant influence of a related party that is an individual (i.e. key management personnel, significant shareholders and/or their close family members) and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group. The clarification of the definition of related parties has not resulted in any material changes to the previously reported disclosures of related party transactions nor has it had any material effect on the disclosures made in the current period, as compared to those that would have been reported had Statement of Standard Accounting Practice 20, related party disclosures, still been in effect.

Notes to the Financial Statements

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4. TURNOVER AND REVENUE

The Group is principally engaged in manufacturing and sales of LCD and LCD modules (together "LCD products") and electronic consumer products ("LCD consumer products"). An analysis of the Group's turnover and revenue is as follows:

	2006 **HK$'000**	2005 HK$'000
Turnover		
LCD products	**60,971**	61,836
LCD consumer products	**20,064**	39,308
	81,035	101,144
Other revenue		
Interest income from banks	**7**	21
Dividend income from unlisted equity securities	**311**	–
Rental income	**526**	38
Refund of export tax paid	**1,020**	–
Sundry income	**58**	66
	1,922	125
Total revenue	**82,957**	101,269

Notes to the Financial Statements

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5. LOSS FROM OPERATIONS

The loss from operations is stated after charging the following:

	2006 HK$'000	2005 (restated) HK$'000
(a) Staff costs:		
Contributions to defined contribution retirement plans	**314**	340
Salaries, wages and other benefits	**22,286**	22,427
	22,600	22,767
(b) Other items:		
Amortisation of land lease premium	**104**	105
Depreciation	**41,042**	34,841
Impairment loss on trade and other receivables	**754**	–
Provision for slow-moving and obsolete inventories	**2,030**	–
Net exchange loss	**395**	38
Auditors' remuneration	**300**	380
Operating lease charges in respect of property rentals	**1,115**	1,582
Cost of inventories (Note)	**120,940**	125,584

Note: Cost of inventories includes staff costs, depreciation and amortisation expenses, and operating lease charges of approximately HK$10,348,000, HK$38,219,000 and HK$1,056,000 (2005 (restated): HK$9,506,000, HK$34,869,000 and HK$1,265,000) respectively, which amounts are also included in the respective total amounts disclosed separately above for the year.

6. FINANCE COSTS

	2006 HK$'000	2005 (restated) HK$'000
Interest on bank advances and other borrowings wholly repayable within five years	**1,388**	1,323
Interest on convertible notes	**112**	415
Interest on promissory note	**567**	–
	2,067	1,738

Notes to the Financial Statements

31 March 2006

7. TAXATION

(a) No provision for Hong Kong profits tax and overseas income tax has been made as the Group has no estimated assessable profit for the year (2005: Nil).

(b) Reconciliation between tax expense and accounting profit/(loss) at applicable tax rate.

	2006	2005 (restated)
	HK$'000	HK$'000
Profit/(loss) before taxation	**112,942**	(46,147)
Notional tax on profit/(loss) before tax at the applicable tax rate of 17.5%	**19,765**	(8,076)
Tax effect of expenses that are not deductible in determining taxable profit	**7,500**	5,691
Tax effect of income that are not assessable in determining taxable profit	**(32,084)**	(26)
Tax effect of net deferred tax assets not recognised	**4,819**	2,411
Actual tax expenses	**–**	–

(c) There was no material unprovided deferred taxation. The Group has unused tax losses of approximately HK$75.3 million (2005: HK$47.8 million) at 31 March 2006 available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profits streams. The unrecognised tax losses may be carried forward indefinitely.

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8. DIRECTORS' REMUNERATION

Details of directors' remuneration are as follows:

For the year ended 31 March 2006

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors				
Mr. Chan King Ming	–	871	8	879
Mr. Chan Chi Yuen	–	435	8	443
Mr. Lam Cheok Va, Francis	–	145	–	145
Ms. Ng Wai Fong, Wendy	–	478	5	483
Ms. Leung Kwai Hing	–	477	5	482
Ms. Kam Shuk Ling	–	477	5	482
Mr. Lam Yiu Man, Lewis	–	388	5	393
Ms. Ching Mei Yee	–	140	5	145
Independent non-executive directors				
Mr. Chan Chiu Hung, Alex	44	–	–	44
Mr. Ng Wai Hung, Raymond	91	–	–	91
Mr. Cham Yiu Keung	58	–	–	58
Mr. Wong Chi Keung	48	–	–	48
Mr. Yuan Xiaoxin	30	–	–	30
	271	3,411	41	3,723

Notes to the Financial Statements

31 March 2006

8. DIRECTORS' REMUNERATION *(Continued)*

For the year ended 31 March 2005

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors				
Mr. Chan King Ming	–	–	–	–
Ms. Ng Wai Fong, Wendy	–	1,300	12	1,312
Ms. Leung Kwai Hing	–	1,300	12	1,312
Ms. Kam Shuk Ling	–	1,300	12	1,312
Mr. Lam Yiu Man, Lewis	–	694	10	704
Ms. Ching Mei Yee	–	761	12	773
Independent non-executive directors				
Mr. Ng Wai Hung, Raymond	84	–	–	84
Mr. Wong Chi Keung	120	–	–	120
Mr. Yuan Xiaoxin	25	–	–	25
	229	5,355	58	5,642

Other than Ms. Ching Mei Yee who waived her remuneration of approximately HK$700,000 in respect of the year ended 31 March 2005 during the year ended 31 March 2006, there was no other any arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 March 2006 and 2005. In addition, no emolument was paid during the years ended 31 March 2006 and 2005 by the Group to the directors as an inducement to joint or upon joining the Group, or as compensation for loss of office.

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2005: four) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other two (2005: one) individuals are as follows:

	2006 HK$'000	2005 HK$'000
Salaries and other emoluments	**1,250**	780
Retirement scheme contributions	**19**	12
	1,269	792

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS *(Continued)*

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

	2006 Number of individuals	2005 Number of individuals
HK$		
Nil – 1,000,000	**2**	1

No emoluments was paid during the years ended 31 March 2006 and 2005 by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

10. RETIREMENT BENEFIT SCHEMES

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

In addition to the participation in the MPF Scheme, the Group is required to contribute to a defined contribution retirement scheme for its employees in the People's Republic of China (the "PRC") based on the applicable basis and rates with the relevant government regulations.

The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the respective schemes.

The total costs charged to the consolidated income statement of approximately HK$314,000 (2005: HK$340,000) represent contributions payable to the retirement benefit schemes in Hong Kong and the PRC by the Group for the year at rates specified in the rules of the relevant schemes. At 31 March 2006, contributions due in respect of the current year had not been paid over the relevant schemes was approximately HK$Nil (2005: HK$30,000).

11. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit/(loss) attributable to equity shareholders of the Company includes a loss of approximately HK$6,504,000 (2005 (restated): HK$53,572,000) which has been dealt with in the financial statements of the Company.

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12. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to ordinary equity shareholders of the Company of approximately HK$112,942,000 (2005 (restated): loss of HK$46,147,000) and the weighted average of approximately 3,750,544,000 ordinary shares (2005: 508,889,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2006 '000	2005 '000
Issued ordinary shares at 1 April	**2,664,838**	71,410
Effect of bonus issue	**–**	94,424
Effect of convertible notes exercised	**1,073,928**	343,055
Effect of new shares issued in respect of the acquisition of an associate	**11,778**	–
Weighted average number of ordinary shares at 31 March	**3,750,544**	508,889

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings/(loss) per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$113,054,000 (2005 (restated): loss of HK$45,732,000) and the weighted average number of ordinary shares of approximately 7,435,917,000 shares (2005: 7,424,139,000 shares), calculated as follows:

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

	2006 HK$'000	2005 HK$'000
Profit/(loss) attributable to ordinary equity shareholders	**112,942**	(46,147)
After tax effect of effective interest on liability component of convertible notes	**112**	415
Profit/(loss) attributable to ordinary equity shareholders (diluted)	**113,054**	(45,732)

12. EARNINGS/(LOSS) PER SHARE *(Continued)*

(b) Diluted earnings/(loss) per share *(Continued)*

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

	2006 **'000**	2005 '000
Weighted average number of ordinary shares at 31 December	**3,750,544**	508,889
Effect of conversion of convertible notes	**3,685,373**	6,915,250
Weighted average number of ordinary shares (diluted) at 31 December	**7,435,917**	7,424,139

13. SEGMENT INFORMATION

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

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

LCD products segment: the manufacturing and sales of LCD and LCD modules.

LCD consumer products segment: the manufacturing and sales of calculators and other electronic products.

Gaming and entertainment segment: Management of a casino operated under the gaming concession of Sociedade de Jogos de Macau, S.A. in the New Century Hotel (the "Greek Mythology Casino").

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13. SEGMENT INFORMATION *(Continued)*

(a) Business segments

	LCD products		LCD consumer products		Gaming and entertainment		Eliminations		Consolidated	
	2006	2005 (restated)	**2006**	2005 (restated)	**2006**	2005 (restated)	**2006**	2005 (restated)	**2006**	2005 (restated)
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue										
Revenue from external customers	**60,971**	61,836	**20,064**	39,308	**–**	–	**–**	–	**81,035**	101,144
Inter-segment revenue*	**1,234**	2,423	**214**	–	**–**	–	**(1,448)**	(2,423)	**–**	–
Total	**62,205**	64,259	**20,278**	39,308	**–**	–	**(1,448)**	(2,423)	**81,035**	101,144
Results										
Segment results	**(42,505)**	(38,105)	**(19,528)**	(6,636)	**311**	–	**(125)**	60	**(61,847)**	(44,681)
Unallocated operating income and expenses									**(5,546)**	122
Reduction in provision for other payables									**2,300**	150
Loss from operations									**(65,093)**	(44,409)
Finance costs									**(2067)**	(1,738)
Excess of fair value of net assets acquired over the cost of acquisition of an associate	**–**	–	**–**	–	**178,800**	–	**–**	–	**178,800**	–
Share of profit of the associate	**–**	–	**–**	–	**1,302**	–	**–**	–	**1,302**	–
Profit/(loss) for the year									**112,942**	(46,147)

* Inter-segment revenue is charged based on terms mutually agreed between the segments.

13. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

	LCD products		LCD consumer products		Gaming and entertainment		Consolidated	
	2006	2005 (restated)	**2006**	2005 (restated)	**2006**	2005 (restated)	**2006**	2005 (restated)
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Assets								
Segment assets	**39,729**	79,384	**37,020**	53,399	**–**	–	**76,749**	132,783
Interest in an associate					**2,512,270**	–	**2,512,270**	–
Long term investment					**–**	1,280,986	**–**	1,280,986
Unallocated assets							**6,686**	385
Total assets							**2,595,705**	1,414,154
Liabilities								
Segment liabilities	**24,068**	22,777	**809**	6,867	**–**	–	**24,877**	29,644
Unallocated liabilities							**792,843**	32,298
Total liabilities							**817,720**	61,942
Other segment information:								
Capital expenditure incurred during the year	**690**	1,981	**1,488**	5,833	**1,051,182**	1,280,986		
Depreciation and amortisation for the year	**30,118**	28,547	**10,787**	6,399	**–**	–		

Notes to the Financial Statements

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13. SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

In presenting information on the basis of the geographical segment, segment revenue is based on the geographical location of the customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	Segment revenue		Segment assets		Segment capital expenditure	
	2006	2005 (restated)	**2006**	2005 (restated)	**2006**	2005 (restated)
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Hong Kong	**41,003**	57,908	**17,583**	19,020	**306**	487
Macau	**–**	–	**2,512,270**	1,280,986	**1,051,182**	1,280,986
The PRC (excluding Hong Kong and Macau)	**15,413**	15,830	**59,166**	113,763	**1,872**	7,327
Japan	**7,680**	24,432	**–**	–	**–**	–
South Korea	**14,041**	335	**–**	–	**–**	–
Others	**2,898**	2,639	**–**	–	**–**	–
Consolidated	**81,035**	101,144	**2,589,019**	1,413,769	**1,053,360**	1,288,800

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14. FIXED ASSETS

(a) The Group

	Buildings for own use carried at cost HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Other fixed assets HK$'000	Sub-total HK$'000	Interests in leasehold land held for own use under operating leases HK$'000	Total fixed assets HK$'000
Cost:							
At 1 April 2004 (restated)	45,986	22,393	107,928	40,422	216,729	5,232	221,961
Additions	–	73	5,723	2,018	7,814	–	7,814
At 31 March 2005 (restated)	45,986	22,466	113,651	42,440	224,543	5,232	229,775
At 1 April 2005 (restated)	45,986	22,466	113,651	42,440	224,543	5,232	229,775
Additions	–	2,138	921	2,108	5,167	–	5,167
At 31 March 2006	**45,986**	**24,604**	**114,572**	**44,548**	**229,710**	**5,232**	**234,942**
Accumulated amortisation and depreciation:							
At 1 April 2004 (restated)	9,197	11,767	52,078	22,242	95,284	484	95,768
Charge for the year	1,839	4,385	20,462	8,155	34,841	105	34,946
At 31 March 2005 (restated)	11,036	16,152	72,540	30,397	130,125	589	130,714
At 1 April 2005 (restated)	11,036	16,152	72,540	30,397	130,125	589	130,714
Charge for the year	1,840	4,844	25,424	8,934	41,042	104	41,146
At 31 March 2006	**12,876**	**20,996**	**97,964**	**39,331**	**171,167**	**693**	**171,860**
Net book value:							
At 31 March 2006	**33,110**	**3,608**	**16,608**	**5,217**	**58,543**	**4,539**	**63,082**
At 31 March 2005 (restated)	34,950	6,314	41,111	12,043	94,418	4,643	99,061

Notes to the Financial Statements

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14. FIXED ASSETS *(Continued)*

(b) The Company

	Leasehold improvements HK$'000	Other fixed assets HK$'000	Total fixed assets HK$'000
Cost:			
Additions and at 31 March 2006	2,115	873	2,988
Accumulated amortisation and depreciation:			
Charge for the year and at 31 March 2006	143	98	241
Net book value:			
At 31 March 2006	**1,972**	**775**	**2,747**
At 31 March 2005	–	–	–

(c) The Group's leasehold land and buildings are situated in the PRC and held under medium term leases.

15. INVESTMENTS IN SUBSIDIARIES

	2006 HK$'000	2005 HK$'000
Unlisted shares, at cost	**18**	8

Notes to the Financial Statements

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15. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Particulars of the subsidiaries at 31 March 2006 are as follows:

Name	Place of incorporation and operation	Particulars of paid-up capital/ registered capital	Proportion of ownership interest Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
GMC Management Limited	Hong Kong	HK$10,000	100%	100%	–	Provision of management services to group companies
Profit Goal Holdings Limited	The British Virgin Islands ("BVI")	US$1,000	100%	100%	–	Investment holding
A-Max Kepo Display Limited	Hong Kong	HK$100	100%	–	100%	Sales of LCD and LCD modules
A-Max Global Products Limited	Hong Kong	HK$100	100%	–	100%	Sales of LCD consumer products
Keview Technology (BVI) Limited	BVI	US$1,000	100%	–	100%	Investment holding
A-Max Kepo Limited	BVI	US$100	100%	–	100%	Not yet commenced business
Chesford Group Limited	BVI	US$100	100%	–	100%	Not yet commenced business
Dongguan Kepo Electronics Limited ("Dongguan Kepo") (Note)	PRC	HK$76,120,000	100%	–	100%	Manufacturing of LCD, LCD modules and electronics consumer products

Note: Dongguan Kepo is a wholly foreign-owned enterprise with an operating period of 25 years commencing from 13 November 1998. The statutory financial statements of Dongguan Kepo are not audited by CCIF CPA Limited.

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16. INTEREST IN AN ASSOCIATE

	The Group		The Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted shares, at cost	**–**	–	**2,332,168**	–
Share of net assets	**2,512,270**	–	**–**	–
	2,512,270	–	**2,332,168**	–

(a) The following list contains only the particulars of the associate, which is unlisted corporate entity, which principally affected the results or assets of the Group:

Name of associate	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Principal activity
Greek Mythology (Macau) Entertainment Group Corporation Limited ("Greek Mythology")	Incorporated	Macau	2,412 ordinary shares of MOP 1,000 each	49.9%	49.9%	Gaming and entertainment business

(b) Summary financial information on the associate

	At 31 March 2006			Period from the date of acquisition to 31 March 2006	
	Assets	**Liabilities**	**Equity**	**Revenues**	**Profit/ (loss)**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
100 per cent	5,653,150	618,540	5,034,610	8,524	2,609
Group's effective interest	2,820,922	308,652	2,512,270	4,253	1,302

16. INTEREST IN AN ASSOCIATE *(Continued)*

(c) Acquisition of Greek Mythology

	HK$'000
Purchase consideration	
Issue of promissory note	
Face value of promissory note (note 24)	1,454,722
Reduction of face value to fair value	(715,212)
Fair value of promissory note	739,510
Issue of new shares (note 25(c)(ii))	601,850
	1,341,360
Shortfall in market price of shares issued	(290,178)
Fair value of consideration for additional 30% interest in Greek Mythology	1,051,182
Cost of investment for 19.9% interest in Greek Mythology acquired in the financial year 2005	1,280,986
Total acquisition cost of 49.9% interest in Greek Mythology	2,332,168
Fair value of net assets acquired, as detailed below	2,510,968
Excess of fair value of net assets acquired over the cost of acquisition of an associate	178,800

On 28 March 2006, the Group completed the acquisition of a further 30% equity interest in Greek Mythology with part of the consideration being settled by the allotment and issue of 1,074,732,630 new shares of HK$0.001 each by the Company at an issue price of HK$0.56 each. HKFRS 3 "Business Combinations" requires the fair value of the share consideration for accounting purposes to be determined at the date that significant influence over its management (including participation in the financial and operating policy decisions) becomes effective. At the completion date of acquisition, the market price of the shares of the Company was HK$0.29. Accordingly, the fair value of the consideration shares for this purpose was approximately HK$311,672,000.

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16. INTEREST IN AN ASSOCIATE *(Continued)*

(c) Acquisition of Greek Mythology *(Continued)*

The assets and liabilities arising from the acquisition are as follows:

	Carrying amount of the associate HK$'000	Fair value HK$'000
Property, plant and equipment	504,018	504,018
Intangible asset (note)	–	5,000,000
Debtors and prepayments	95,402	95,402
Cash and cash equivalents	98,710	98,710
Creditors and accruals	(66,129)	(66,129)
Borrowings	(600,000)	(600,000)
Net assets	32,001	5,032,001
49.9% of net assets acquired		**2,510,968**

Note: The intangible asset represents the rights for the management of the Greek Mythology Casino.

17. LONG TERM INVESTMENT

	The Group and the Company	
	2006	2005
	HK$'000	HK$'000
Unlisted investment, at cost	**–**	1,280,986

Refer to notes 23(b) and 28(b) for more details.

18. INVENTORIES

	The Group	
	2006	2005
	HK$'000	HK$'000
Raw materials, at cost	**7,268**	7,488
Work in progress, at cost	**1,734**	2,838
Finished goods, at cost	**2,185**	3,593
	11,187	13,919
Less: Provision for slow-moving and obsolete inventories	**(2,030)**	–
	9,157	13,919

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19. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**5,889**	13,011	**–**	–
Rental and other deposits	**63**	769	**13**	–
Dividend receivable	**311**	–	**311**	–
Prepayments, deposits and other receivables	**207**	336	**29**	–
	6,470	14,116	**353**	–

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

The ageing analysis of trade receivables (net of impairment losses for bad and doubtful debts) as of the balance sheet date is as follows:

	The Group	
	2006	2005
	HK$'000	HK$'000
Within 1 month	**3,310**	6,187
1 to 2 months	**1,507**	2,104
2 to 3 months	**550**	1,060
More than 3 months	**522**	3,660
	5,889	13,011

The Group's credit policy is set out in note 27(a).

Included in trade and other receivables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group		The Company	
	2006	2005	**2006**	2005
	'000	'000	**'000**	'000
United States Dollars	**US$54**	US$32	**–**	–
Renminbi	**RMB225**	RMB935	**–**	–

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20. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at banks	**4,699**	6,030	**3,580**	386
Cash in hand	**27**	42	**5**	-
	4,726	6,072	**3,585**	386

Included in cash and cash equivalents in the balance sheet are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group		The Company	
	2006	2005	**2006**	2005
	'000	'000	**'000**	'000
United States Dollars	**US$15**	US$13	**–**	–
Renminbi	**RMB654**	RMB1,198	**–**	–

21. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**15,293**	20,136	**–**	–
Accruals and other payables	**6,946**	8,190	**2,645**	949
Amounts due to subsidiaries	**–**	–	**454**	13
	22,239	28,326	**3,099**	962

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

21. TRADE AND OTHER PAYABLES *(Continued)*

The ageing analysis of trade payables as of the balance sheet date is as follows:

	The Group	
	2006	2005
	HK$'000	HK$'000
Due within 1 month	**4,762**	4,016
Due after 1 month but within 2 months	**4,106**	5,374
Due after 2 months but within 3 months	**1,940**	4,035
Due after 3 months	**4,485**	6,711
	15,293	20,136

Included in trade and other payables are the following amounts denominated in a currency other than the functional currency of the entity to which they related:

	The Group		The Company	
	2006	2005	**2006**	2005
	'000	'000	**'000**	'000
Renminbi	**RMB9,803**	RMB9,832	**–**	–

22. BORROWINGS

		The Group		The Company	
		2006	2005	**2006**	2005
		HK$'000	HK$'000	**HK$'000**	HK$'000
Other loans – unsecured	(a)	**43,785**	22,364	**10,000**	–
Amounts due to directors	(b)	**9,184**	7,767	**3,900**	3,900
		52,969	30,131	**13,900**	3,900

Notes:

(a) Other loans represent unsecured loans from unrelated parties, which bear interest ranging from 3.5% to 6% (2005: 5% to 6%) per annum and are not repayable within the next twelve months.

(b) The amounts due to directors which represent emoluments due to certain directors, are unsecured, non-interest bearing and not repayable within the next twelve months.

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22. BORROWINGS *(Continued)*

Included in non-current borrowings are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group		The Company	
	2006	2005	**2006**	2005
	’000	’000	**’000**	’000
Renminbi	**RMB26,750**	RMB23,700	**–**	–

23. CONVERTIBLE NOTES

	The Group and the Company	
	2006	2005
	HK$’000	HK$’000
At 31 March	**2,435**	3,485

Notes:

(a) Pursuant to a subscription agreement dated 20 February 2004, the Company issued the convertible notes in the aggregate amount of HK$14.6 million (comprising 73 notes with a face value of HK$200,000 each) to Firstcom Technology Limited to raise working capital for the repayment of certain term loans due to lenders and for the general working capital of the Group. The convertible notes bear interest at 1.5% per annum and can be converted into new ordinary shares during the period from 31 March 2004 to 30 March 2009 at the conversion ratio of 5% of the then issued share capital of the Company at the time of conversion for each note in the face value of HK$200,000. The shares so converted will rank pari passu in all respect with all other ordinary shares in issue on the date of allotment.

During the year, the noteholders converted the convertible notes with a total face value of HK$1,400,000 (2005: HK$10,400,000) into 1,084,856,676 (2005: 2,492,947,935) new ordinary shares of HK$0.001 each.

The convertible notes that are not converted into ordinary shares will be redeemed at face value on 30 March 2009. The notes bear effective interest at 6.41% per annum and are unsecured.

(b) Pursuant to another subscription agreement dated 30 November 2004, the Company issued the convertible notes in the aggregate amount of HK$1,280,000,000 in respect of the acquisition of a 13.79% equity interest in Greek Mythology (notes 17 and 28(b)). The convertible notes were non-interest bearing and can be converted into new ordinary shares within five years from the date of issue at the conversion price of HK$3.527 per share. The shares so converted will rank pari passu in all respect with all other ordinary shares in issue on the date of allotment. During the year ended 31 March 2005, all of these convertible notes had been converted into the Company’s new ordinary shares.

24. PROMISSORY NOTE

On 28 March 2006, the Company issued a promissory note with a face value of approximately HK$1,454,722,000 as part of the consideration for the acquisition of the associate.

The promissory note is unsecured, non-interest bearing and repayable on the tenth year of the date of issue of the promissory note.

Interest expense on promissory note is calculated using the effective interest method by applying the effective interest rate of 7% per annum to the fair value of the promissory note.

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25. CAPITAL AND RESERVES

(a) The Group

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Special reserve HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 April 2004								
– as previously reported	71	131,570	–	(22,470)	–	(117)	27,580	136,634
– prior period adjustments in respect of								
– HKAS 16	–	–	–	–	–	–	(29,608)	(29,608)
– HKAS 32	–	–	–	–	3,030	–	–	3,030
– as restated	71	131,570	–	(22,470)	3,030	(117)	(2,028)	110,056
Shares issued under conversion of convertible notes (note 25(c)(i))	2,493	1,288,165	–	–	(2,158)	–	–	1,288,500
Share issuance expenses	–	(197)	–	–	–	–	–	(197)
Issue of bonus shares (note 25(c)(iii))	101	(101)	–	–	–	–	–	–
Loss for the year	–	–	–	–	–	–	(46,147)	(46,147)
At 31 March 2005	2,665	1,419,437	–	(22,470)	872	(117)	(48,175)	1,352,212
At 1 April 2005								
– as previously reported	2,665	1,419,179	–	(22,470)	–	(117)	9,254	1,408,511
– prior period adjustments in respect of								
– HKAS 16	–	–	–	–	–	–	(57,014)	(57,014)
– HKAS 32	–	258	–	–	872	–	(415)	715
– as restated	2,665	1,419,437	–	(22,470)	872	(117)	(48,175)	1,352,212
Shares issued under conversion of convertible notes (note 25(c)(i))	1,085	369	–	–	(291)	–	–	1,163
Shares issued in respect of the acquisition of the associate (note 25(c)(ii))	1,075	310,597	–	–	–	–	–	311,672
Share issuance expenses	–	(4)	–	–	–	–	–	(4)
Profit for the year	–	–	–	–	–	–	112,942	112,942
At 31 March 2006	**4,825**	**1,730,399**	**–**	**(22,470)**	**581**	**(117)**	**64,767**	**1,777,985**

Notes to the Financial Statements

31 March 2006

25. CAPITAL AND RESERVES *(Continued)*

(b) The Company

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Special reserve HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2004								
– as previously reported	71	131,570	105,026	–	–	–	(201,393)	35,274
– prior period adjustments in respect of								
– HKAS 32	–	–	–	–	3,030	–	–	3,030
– as restated	71	131,570	105,026	–	3,030	–	(201,393)	38,304
Shares issued under conversion of convertible notes (note 25(c)(i))	2,493	1,288,165	–	–	(2,158)	–	–	1,288,500
Share issuance expenses	–	(197)	–	–	–	–	–	(197)
Issue of bonus shares (note 25(c)(iii))	101	(101)	–	–	–	–	–	–
Loss for the year	–	–	–	–	–	–	(53,574)	(53,574)
At 31 March 2005	2,665	1,419,437	105,026	–	872	–	(254,967)	1,273,033
At 1 April 2005								
– as previously reported	2,665	1,419,179	105,026	–	–	–	(254,552)	1,272,318
– prior period adjustments in respect of								
– HKAS 32	–	258	–	–	872	–	(415)	715
– as restated	2,665	1,419,437	105,026	–	872	–	(254,967)	1,273,033
Shares issued under conversion of convertible notes (note 25(c)(i))	1,085	369	–	–	(291)	–	–	1,163
Shares issued in respect of the acquisition of the associate (note 25(c)(ii))	1,075	310,597	–	–	–	–	–	311,672
Share issuance expenses	–	(4)	–	–	–	–	–	(4)
Loss for the year	–	–	–	–	–	–	(6,504)	(6,504)
At 31 March 2006	**4,825**	**1,730,399**	**105,026**	**–**	**581**	**–**	**(261,471)**	**1,579,360**

25. CAPITAL AND RESERVES *(Continued)*

(c) Share capital

	2006 Number of shares '000	2006 HK$'000	2005 Number of shares '000	2005 HK$'000
Authorised:				
40,000,000,000 ordinary shares of HK$0.001 each	**40,000,000**	**40,000**	40,000,000	40,000

	Note	2006 Number of shares '000	2006 HK$'000	2005 Number of shares '000	2005 HK$'000
Ordinary shares, issued and fully paid:					
At 1 April		**2,664,838**	**2,665**	71,410	71
Shares issued under conversion of the convertible notes	(i)	**1,084,857**	**1,085**	2,492,948	2,493
Shares issued in respect of the acquisition of the associate	(ii)	**1,074,732**	**1,075**	–	–
Issue of bonus shares	(iii)	**–**	**–**	100,480	101
At 31 March		**4,824,427**	**4,825**	2,664,838	2,665

Notes:

(i) Conversion of the convertible notes

During the year, 1,084,856,676 (2005: 2,492,947,935) new ordinary shares of HK$0.001 each were issued pursuant to the conversion of HK$1,400,000 (2005: HK$1,290,400,000) convertible notes at an average conversion price of approximately HK0.13 cents (2005: HK51,76 cents) per share.

The share capital and share premium accounts of the Company have been increased by approximately HK$1,085,000 (2005: HK$2,493,000) and HK$369,000 (2005: HK$1,288,165,000) respectively following the conversion. An amount of approximately HK$291,000 (2005: HK$2,158,000) has been transferred from the capital reserve to the share premium account in accordance with the policy set out in note 2(l).

(ii) Acquisition of the associate

During the year, the Company issued 1,074,732,630 new ordinary shares of HK$0.001 each at the issue price of HK$0.56 per share as part of the consideration for the acquisition of a 30% equity interest in Greek Mythology, the associate of the Company (see note 16(c)).

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25. CAPITAL AND RESERVES *(Continued)*

(c) Share capital *(Continued)*

(iii) Issuance of bonus shares

During the year ended 31 March 2005, 100,480,475 new shares of HK$0.001 each were issued on the basis of one share for every one existing share then held by the shareholders of the Company.

(d) Nature and purpose of reserves

(i) Share premium

Share premium represents the share premium of the Company, the application of which is governed by the Companies Act 1981 of Bermuda (as amended).

(ii) Contributed surplus

The contributed surplus of the Company represents the differences between the consolidated shareholders' funds of subsidiaries at the date on which they were acquired by the Company and the nominal amount of the share capital of the Company issued under the corporate reorganisation and capitalisation in paying up 1,000,000 nil paid shares. Under The Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution to shareholders.

(iii) Special reserve

The special reserve of the Group represents the difference between the nominal amount of the share capital of the subsidiaries acquired and the nominal value of the Company's shares issued for the acquisition pursuant to the corporate reorganisation and capitalisation in paying up 1,000,000 nil paid shares prior to the listing of the Company's shares.

(iv) Capital reserve

The capital reserve represents the value of the unexercised equity component of convertible notes issued by the Company recognized in accordance with the accounting policy adopted for convertible notes in note 2(l).

(e) Distributable reserves

As at 31 March 2006, in the opinion of the Directors of the Company, the reserves of the Company available for distribution to shareholders amounted to approximately HK$1,573,954,000 (2005 restated: HK$1,269,496,000) subject to the restrictions stated above.

26. SHARE OPTION SCHEME

The Company's share option scheme (the "Share Option Scheme") was adopted on 12 August 2002 with a purpose to recognise the contribution of certain employees, directors, executive or officers, suppliers, consultants and agents of the Group to the growth of the Group.

Under the terms of the Share Option Scheme, the board of directors may, at its discretion, grant options to employees, directors, executives or officers of the Group, and any suppliers, consultants or agents who have provided services to the Group at a price not less than the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the offer date or the nominal value of the shares, whichever is the higher.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme will not exceed 10% of the issued share capital of the Company and the maximum number of shares in respect of which options may be granted to any one participant will not exceed 30% of the maximum number of shares in issues from time to time. At the date of report, the total number of shares of the Company which may be allotted and issued upon the exercise of all options to be granted under the Share Option Scheme must not exceed 4,959,000 shares, represents 10% of the shares in issue as at 18 June 2003, the date of the special general meeting approving the refreshment of the 10% limit on the grant of options.

A nominal consideration of HK$1 is payable within 30 days from the offer date for each lot of share option granted. An option may be exercised in accordance with the terms of the Share Option Scheme during a period to be notified by the board of directors. Each grantee is entitled to exercise the options at any time after the expiry of one year from the date of the grant of the options, and in each case, not later than 10 years from the date of the grant of the options.

The Share option Scheme is valid for a period of 10 years commencing from 12 August 2002. No share options under the Share Option Scheme were granted up to 31 March 2006.

27. FINANCIAL INSTRUMENTS

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

(a) Credit risk

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

Credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are due within 30 days to 60 days from the date of billing. Normally, the Group does not obtain collateral from customers. At the balance sheet date, the Group has a certain concentration of credit risk as 16.2% (2005: 14.8%) and 47.8% (2005: 52.4%) of the total trade receivables was due from the Group's largest customer and the five largest customers, respectively.

Notes to the Financial Statements

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27. FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

Cash and cash equivalents are normally placed with licensed banks that have a credit rating better than the Group. Given their high credit ratings, management does not expect any licensed bank to fail to meet its obligations.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and raising of loans to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major loan lenders to meet its liquidity requirements in the short and longer term.

(c) Interest rate risk

The interest rates and terms of repayment of the convertible notes, promissory note and other borrowings of the Group are disclosed in notes 23, 24 and 22, respectively. The Group does not expect any changes in interest rates which might materially affect the Group's result of operations.

(d) Foreign currency risk

The Group is exposed to foreign currency risk through certain trade and other receivables, bank deposits, trade and other payables and other loans that are denominated in the United States Dollars (USD) and/or Renminbi (RMB).

As the Hong Kong Dollars (HKD) is pegged to the USD, and the RMB pegged to the USD within a narrow band, the Group does not expect any significant movements in the USD/HKD or HKD/RMB exchange rate.

The Group's foreign operations do not undertake significant transactions in a currency other than their respective functional currencies. Funds are retained by the foreign operations for use within the respective operations. Based on this, management considers the foreign exchange exposure to be low.

27. FINANCIAL INSTRUMENTS *(Continued)*

(e) Fair value

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of HKAS 32 and HKAS 39. Fair value estimates, methods and assumptions, set forth below for the Group's financial instruments, are made to comply with the requirements of HKAS 32 and HKAS 39, and should be read in conjunction with the Group's financial statements and related notes. The estimated fair value amounts have been determined by the Group using market information and valuation methodologies considered appropriate. However, considerable judgement is required to interpret market data to develop the estimates of fair values. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realise in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The following summarise the major methods and assumptions used in estimating the fair values of the Group's financial instruments.

The carrying values of the Group's current financial assets and liabilities are estimated to approximate to their fair values based on the nature or short-term maturity of these instruments.

The carrying value of the Group's non-current financial liabilities are estimated to approximate their fair values based on a discounted cash flow approach using interest rates available to the Group for similar indebtedness.

28. MAJOR NON-CASH TRANSACTION

(a) During the year ended 31 March 2006, convertible notes of HK$1,400,000 (2005: HK$1,290,400,000) was converted into 1,084,856,676 (2005: 2,492,947,935) ordinary shares of HK$0.001 each (notes 23 and 25(c)(i)).

(b) During the year ended 31 March 2005, the Company acquired a 13.79% equity interest in Greek Mythology at a total consideration, before expenses, of HK$1,280,000,000 which was satisfied by the issuance of convertible notes (notes 17 and 23(b)).

During the year ended 31 March 2006, the Company acquired a further 30% equity interest in Greek Mythology at a total consideration, before expenses, of approximately HK$2,056,572,000 which was satisfied by the issuance of a promissory note (see note 24) and the issuance of the Company's 1,074,732,000 new ordinary shares of HK$0.001 each at an issue price of HK$0.56 each.

(c) During the year ended 31 March 2005, a total amount of HK$7,767,000 due to directors was reclassified to long term loans advanced from directors (note 22).

29. BANKING FACILITIES

As at 31 March 2006, the Group had unsecured banking facilities totalling HK$6 million (2005: HK$6 million) in which no amount was utilised (2005: Nil).

Notes to the Financial Statements

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30. COMMITMENTS

As at 31 March 2006 the Group had the following commitments:

(a) Operating lease commitments

Total future minimum lease payments under non-cancellable operating leases in respect of office premises are as follows:

	The Group	
	2006	2005
	HK$'000	HK$'000
Within one year	**–**	260
In the second to fifth years	**–**	960
After five years	**–**	710
	–	1,930

(b) Other commitments

Pursuant to a contract entered into between one of the Company's subsidiaries and an independent party in the PRC whereby the Group's factory is located, the Group is committed to pay to the independent party an annual management fee in respect of the land use right until the year of 2048. An analysis of the management fee commitment is as follows:

	The Group	
	2006	2005
	HK$'000	HK$'000
Within one year	**1,289**	1,265
In the second to fifth years	**5,619**	5,387
After five years	**77,530**	77,458
	84,438	84,110

Save as disclosed above, the Group and the Company did not have any other significant capital or financial commitments as at 31 March 2006 and 2005.

Notes to the Financial Statements

31 March 2006

31. CONTINGENT LIABILITIES

At 31 March 2006, there were contingent liabilities in respect of guarantees given by the Company to the third parties to the extent of approximately HK$25,937,000 (2005: HK$22,364,000) in respect of term loans borrowed from these third parties to the Company's subsidiaries. The term loans were utilised by the subsidiaries of the Company.

Save as disclosed above, the Group and the Company did not have any significant contingent liabilities as at 31 March 2006 and 2005.

32. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions:

(a) During the year, consultancy fee of HK$120,000 (2005: HK$282,000) was paid to a spouse of the Company's director (2005: a spouse of another director of the Company).

(b) Remuneration for key management personnel is the amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9. Total remuneration is included in "staff costs" (see note 5(a)).

33. COMPARATIVE FIGURES

Certain comparative figures have been adjusted or re-classified as a result of the changes in accounting policies. Further details are disclosed in note 3.

Notes to the Financial Statements

31 March 2006

34. ACCOUNTING ESTIMATES AND JUDGEMENTS

The method, estimates and judgements the management use in applying the Group's accounting policies have a significant impact on the Group's financial position and operating results. Some of the accounting policies require the Group to apply estimates and judgements, on matters that are inherently uncertain. Certain critical accounting judgements in applying the Group's accounting policies are described below.

(a) Depreciation and amortisation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The management reviews annually the useful life of an asset and its residual value, if any. Interests in leasehold land held for own use under operating leases are amortised on a straight-line basis over the shorter of the estimated useful lives of the leased assets and the lease term. Both the period and methods of amortisation are reviewed annually. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

(b) Valuation of inventories

Inventories are stated at the lower of cost and net realisable value at the balance sheet date. Net realisable value is determined on the basis of the estimated selling price less the estimated costs necessary to make the sale. The management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. In addition, the management performs an inventory review on a product-by-product basis at each year end date and assess the need for write down of inventories.

(c) Impairments

If circumstances indicate that the carrying value of fixed assets may not be recoverable, the assets may be considered "impaired", and an impairment loss may be recognised in accordance with HKAS 36 "Impairment of Assets". The carrying amounts of fixed assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amount is reduced to recoverable amount. The recoverable amount of fixed assets is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the Group's asset are not available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sale volume, selling price and amount of operating costs. The management uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume, selling price and amount of operating costs.

Notes to the Financial Statements
31 March 2006

34. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(c) Impairments *(Continued)*

Impairment losses for bad and doubtful debts are assessed and provided based on the management's regular review of ageing analysis and evaluation of collectibility. A considerable level of judgement is exercised by the management when assessing the credit worthiness and past collection history of each individual customer.

Any increase or decrease in the above impairment losses would affect the net profit in future years.

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

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

Of these developments, the following relate to matters that may be relevant to the Group's operations and financial statements:

		Effective for accounting periods beginning on or after
HK(IFRIC) – Int 4	Determining whether an arrangement contains a lease	1 January 2006
Amendment to HKAS 39	Financial instruments: recognition and measurement: – the fair value option – financial guarantee contracts	1 January 2006
HKFRS 7	Financial instruments: disclosures	1 January 2007
Amendment to HKAS 1	Presentation of financial statements: capital disclosures	1 January 2007

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

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.