Notes To The Financial Statements

For the year ended 31 March 2006

1. GENERAL

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

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

The Company is an investment holding company and is engaged in investment in financial instruments and property investment. The principal activities of its principal subsidiaries and an associate are set out in notes 29 and 15, respectively.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

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

Business combinations

HKFRS 3 "Business combinations" is effective for business combinations for which the agreement date is on or after 1 January 2005. The Group has not entered into any agreement between the period from 1 January 2005 to 31 March 2005. On 1 April 2005, the Group has applied the transitional provisions of HKFRS 3. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous years, goodwill arising on acquisitions was capitalised in interest in an associate and amortised over its estimated useful life. The Group has discontinued amortising such goodwill from 1 April 2005 onwards and such goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1 April 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures have not been restated.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Financial instruments

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

Convertible notes issued by the Company

Prior to application of HKAS 32 and HKAS 39, convertible notes issued by the Company were classified as liabilities on the balance sheet.

The principal impact of HKAS 32 is in relation to convertible notes issued that contain both liability and equity components. HKAS 32 requires an issuer of a compound financial instrument that contains both financial liability and equity components to separate the compound financial instrument into the liability and equity components on initial recognition and to account for these components separately. According to HKAS 32, the conversion option should be classified as equity component only if the option can be converted by exchange a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. In the case that the conversion options are not settled by the exchange of a fixed amount for fixed number of equity instrument, HKAS 39 requires the issuer to recognise the compound financial instrument in the form of financial liability with embedded derivatives. Under HKAS 39, derivatives embedded in a non-derivative host contract should be accounted for separately when the economic risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. Upon application of HKAS 32 and HKAS 39, the Group re-visited the terms of the convertible notes and determined that the convertible notes do not contain any equity components because the conversion prices for the convertible notes are subject to change and the convertible notes cannot be converted into a fixed number of the Company's shares. Instead, the convertible notes contain derivatives (conversion option and call option) which are not closely related to the host contract and are required to be separately accounted for under HKAS 39.

From 1 April 2005, the Group's convertible notes are separated between liability and derivative components. The liability component is carried at amortised cost using the effective interest method at subsequent balance sheet date. Derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the non-derivative host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. As a result of the change in accounting policy, an amount of HK$22,653,000 has been adjusted to the Group's convertible notes – liability component with a corresponding recognition of derivative financial instruments of HK$22,653,000 on 1 April 2005 (see note 2).

Classification and measurement of financial assets and financial liabilities

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

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Financial instruments *(continued)*

Debt and equity securities previously accounted for under alternative treatment of SSAP 24

By 31 March 2005, the Group classified and measured its debt and equity securities in accordance with the alternative treatment of Statement of Standard Accounting Practice 24 ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "trading securities", "non-trading securities" or "held-to-maturity investments" as appropriate. Both "trading securities" and "non-trading securities" are measured at fair value. Unrealised gains or losses of "trading securities" are reported in profit or loss for the year in which gains or losses arise. Unrealised gains or losses of "non-trading securities" are reported in equity until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for that year.

From 1 April 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. Unquoted equity investments of which the fair value cannot be measured reliably are stated at cost less impairment. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

On 1 April 2005, the Group reclassified its "investments in securities" with carrying amount of HK$114,952,000 classified under current assets to "investments held for trading" and remeasured them in accordance with the requirements of HKAS 39. No adjustment has been made to the Group's accumulated losses at 1 April 2005.

With respect to "investment in securities" with carrying amount of HK$25,100,000 classified under non-current assets, the Group reclassified and remeasured its unlisted equity securities of HK$5,100.000 as "available-for-sale investments" and unlisted convertible note receivables of HK$19,882,000 as "financial assets designated at fair value through profit or loss", with an opening adjustment of HK$118.000 made to the Group's accumulated losses at 1 April 2005.

Financial assets and financial liabilities other than debt and equity securities

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

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Investment properties

In the current year, the Group has, for the first time, applied HKAS 40 "Investment property" ("HKAS 40"). The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in profit or loss for the year in which they arise. In previous years, investment properties under the predecessor Standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and a revaluation surplus subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1 April 2005 onwards. There was no significant impact resulted on the adoption of HKAS 40.

Deferred taxes related to investment properties

In previous years, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current year, the Group has applied Hong Kong Standing Interpretations Committee Interpretation 21 "Income taxes – recovery of revalued non-depreciable assets" ("HK(SIC) Interpretation 21") which removes the presumption that the carrying amount of investment properties is to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HK(SIC) Interpretation 21, this change in accounting policy has been applied retrospectively. However, there was no significant impact resulted from the adoption of HK(SIC) Interpretation 21.

The effects of changes in accounting policies described above on the results for the current and prior years are as follows:

	2006 ***HK$'000***	2005 *HK$'000*
Non-amortisation of goodwill in respect of an associate	**690**	–
Fair value changes of financial assets designated at fair value through profit or loss	**118**	–
Loss on redemption of convertible notes	**(3,334)**	–
Gain arising from fair value changes of derivative financial instruments	**18,515**	–
Increase in effective interest expense on the liability component of convertible notes	**(5,401)**	–
Increase in profit for the year	**10,588**	–

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Deferred taxes related to investment properties *(continued)*

The cumulative effects of the application of the new HKFRSs on 31 March 2005 and 1 April 2005 are summarised below:

	As at 31 March 2005 (originally stated) *HK$'000*	**Opening adjustments** *HK$'000*	**As at 1 April 2005 (restated)** *HK$'000*
Balance sheet items			
Non-current assets			
Investments in securities	25,100	(25,100)	–
Available-for-sale investments	–	5,100	5,100
Financial assets designated at fair value through profit or loss	–	19,882	19,882
Current assets			
Investments in securities	114,952	(114,952)	–
Investments held for trading	–	114,952	114,952
Current liabilities			
Derivative financial instruments	–	(22,653)	(22,653)
Non-current liabilities			
Convertible notes – liability component	(107,648)	22,653	(84,995)
Total effect on assets and liabilities		(118)	
Accumulated losses	(408,039)	(118)	(408,157)
Total effect on equity		(118)	

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Deferred taxes related to investment properties *(continued)*

At the date of authorisation of these consolidated financial statements, the following standards, amendments and interpretations have been issued but are not yet effective.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) - INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) - INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) - INT 6	Liabilities arising from participating in a specific market-waste electrical and electronic equipment[3]
HK(IFRIC) - INT 7	Applying the restatement approach under IAS 29 Financial Reporting in Hyperinflationary Economies[4]
HK(IFRIC) - INT 8	Scope of HKFRS 2[5]
HK(IFRIC) - INT 9	Reassessment of embedded derivatives[6]

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

The directors of the Company anticipate that the application of these standards, amendments and interpretations will have no material impact on the results and financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

All intercompany transactions and balances with the Group are eliminated on consolidation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Dividend income from investments held for trading is recognised when the Group's rights to receive payment have been established.

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

Rental income from properties letting under operating leases is recognised on a straight line basis over the term of relevant leases.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

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

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight line method.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the consolidated income statement.

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount) is included in the consolidated income statement in the year in which the asset is derecognised.

Interests in associates

Associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

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

Financial assets

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of other categories.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Convertible notes issued by the Company

Convertible notes issued by the Company are regarded as compound instruments. Derivatives embedded in the host debt contracts are treated as separated derivatives when their economic risks and characteristics are not closely related to those of the host contract (the liability component) and the host contract is not carried at fair value through profit or loss. The conversion option is classified as equity component only if the option can be converted by exchange a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. In the case that the conversion options are not settled by the exchange of a fixed amount for fixed number of equity instrument, the issuer recognises the compound financial instrument in the form of financial liability with embedded derivatives. A call, put, or prepayment option embedded in a host debt contract is not closely related to the host contract unless the option's exercise price is approximately equal on each exercise date to the amortised cost of the host debt instrument.

At the date of issue, the conversion option derivative, call option derivative (collectively the "derivative component") and liability component are recognised at fair value.

Issue costs are apportioned between the liability component and the derivative component based on their relative fair values at the date of issue. The portion relating to the derivative component is charged directly to profit or loss. The portion relating to the liability component is included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity *(continued)*

Convertible notes issued by the Company (continued)

The liability component is subsequently measured at amortised cost, using the effective interest rate method. The interest charged on the liability component is calculated by applying the original effective interest rate. The difference between this amount and the interest paid is added to the carrying amount of the liability component. The derivative component is subsequently measured at fair value at each balance sheet date.

Derivative financial instrument

Derivative financial instrument is initially measured at fair value on the contract date, and is remeasured to fair value at subsequent reporting dates,

Derivatives embedded in non-derivative host contracts are separated from the relevant host contracts and deemed as held-for-trading when the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contracts, and the host contracts are not measured at fair value through the income statement.

Other financial liabilities

Financial liabilities other than derivative financial instrument including other payables and amount due to directors are measured at amortised cost, using the effective interest method.

Equity instruments

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

Derecognition

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

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

Taxation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

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

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

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

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

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Operating leases

Leases are classified as operating leases whenever the terms of the lease do not transfer substantially all the risks and rewards of ownership to the leasee.

Rentals payable under operating leases are charged to the consolidated income statement on a straight line basis over the period of the relevant leases.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumption concerning the future, and other key source of estimation uncertainty at the balance sheet date, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Fair value of derivative financial instruments

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates.

The fair values of derivative financial instruments are subject to the limitation of the Binominal model that incorporated market data and involved uncertainty in estimates used by management in the assumptions. Because the Binominal model requires the input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include investments held for trading, available-for-sale investment, other receivables, derivative financial instruments, bank balances, other payables, amounts due to directors and convertible notes. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Interest rate risk

The Group's fair value interest rate risk relates primarily to convertible note. The Group is also exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets which are mainly overnight bank deposits. Since the bank deposits are all short term in nature, any future variations in interest rates will not have a significant impact on the results of the Group. However, the management considered the risk is insignificant to the Group.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

(ii) Price risk

The Group is exposed to equity security price risk and commodity price risk through its investments in equity securities and forward commodity contracts. The management manages this exposure by maintaining a portfolio of investments with different risk profiles and/or closely monitoring the performance of the investee entities and the commodity price fluctuations.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

The Group's principal financial assets which are exposed to credit risk are other receivables and bank balances.

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the balance sheet date in relation to each class of recognised financial assets is the carrying amount of those assets are stated in the balance sheet. The Group reviews the recoverable amount of each individual receivable at each balance sheet date to ensure that adequate impairment losses, if necessary, are made for irrecoverable amounts. In this regard, the directors of the Group consider that the Group's credit risk is significantly reduced.

Although the bank balances are concentrated on certain counterparties, the credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segment

From 1 April 2005, the Group has selected business segment as its primary reporting segment. In the opinion of the directors of the Company, the new reporting segment provides a more appropriate presentation of the segment information. The Group is currently organised into two operating divisions (i) investments in financial instruments (named as corporate and strategic investment holding in previous year) which include investment and trading of securities and commodity contracts and (ii) property investment.

Segment revenue represents dividend income, interest income and rental income received and receivable during the year. An analysis of segment revenue is as follows:

	2006 ***HK$'000***	2005 *HK$'000*
Investment in financial instruments		
Dividend income	**1,469**	948
Interest income	**3,475**	2,122
	4,944	3,070
Rental income	**1,181**	846
	6,125	3,916

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Business segment *(continued)*

Segment information about these businesses is presented below:

Income statement

	2006		
	Investments in financial instruments	**Property investment**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Revenue	**4,944**	**1,181**	**6,125**
Segment result	**(14)**	**(269)**	**(283)**
Finance costs			**(10,774)**
Share of result of an associate			**36,671**
Profit before taxation			**25,614**
Taxation			**(115)**
Profit for the year			**25,499**

	2005		
	Investments in financial instruments	Property investment	Total
	HK$'000	*HK$'000*	*HK$'000*
Revenue	3,070	846	3,916
Segment result	(17,925)	(441)	(18,366)
Finance costs			(834)
Gain on disposal of subsidiaries			7,547
Share of result of an associate			1,763
Amortisation of goodwill in respective of an associate			(115)
Loss before taxation			(10,005)
Taxation			(85)
Loss for the year			(10,090)

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Business segment *(continued)*

Balance sheet

	2006		2005	
	Segment assets	**Segment liabilities**	Segment assets	Segment liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Investments in financial instruments	**226,805**	**–**	146,002	–
Property investment	**20,800**	**–**	21,600	–
Interest in an associate	**99,489**	**–**	61,948	–
Unallocated corporate assets	**84,145**	**69,066**	216,753	110,381
	431,239	**69,066**	446,303	110,381

Other information

	Investments in financial instruments	**Property investment**	**Unallocated**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2006				
Depreciation	**–**	**–**	**74**	**74**
Decrease in fair value changes of investment properties	**–**	**800**	**–**	**800**
Impairment loss recognised in respect of available-for-sale investments	**4,125**	**–**	**–**	**4,125**
Year ended 31 March 2005				
Depreciation	–	–	122	122
Revaluation decrease arising on revaluation of investment properties	–	600	–	600
Impairment loss recognised in respect of investments in securities	14,100	–	–	14,100

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Geographical segment

A geographical breakdown of the Group's revenue by geographical market is as follows:

	Revenue	
	2006	2005
	HK$'000	*HK$'000*
The People's Republic of China (the "PRC"), other than Hong Kong	**1,181**	846
Hong Kong	**4,944**	2,237
United States of America	**–**	833
	6,125	3,916

The following table provides an analysis of segment assets and additions to property, plant and equipment and investment properties, analysed by the geographical areas in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment, and investment properties	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC, other than Hong Kong (including interest in an associate)	**120,289**	83,824	**–**	–
Hong Kong	**310,950**	356,756	**7**	8
United States of America	**–**	5,723	**–**	–
	431,239	446,303	**7**	8

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors

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

	Chiu Kong (Chairman)	Kwan Kam Hung, Jimmy	Wong Guangtian	Hui Richard Rui	Miu Frank H.	Yu Pan	Tong So Yuet	2006 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	–	–	1,040	–	100	100	100	1,340
Other emoluments								
Salaries and other benefits	255	–	–	293	–	–	–	548
Contributions to retirement benefit schemes	12	–	–	12	–	–	–	24
Performance related incentive payments (Note)	50	–	200	–	–	–	–	250
	317	–	1,240	305	100	100	100	2,162

	Chiu Kong (Chairman)	Kwan Kam Hung, Jimmy	Yeung Kwok Yu	Hui Richard Rui	Wong Guangtian	Qi Qing	Ong Peter	Miu Frank H.	Yu Pan	Tong So Yuet	2005 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	50	–	–	–	361	49	–	100	100	100	760
Other emoluments											
Salaries and other benefits	–	–	–	68	–	–	–	–	–	–	68
Contributions to retirement benefit schemes	–	–	–	3	–	–	–	–	–	–	3
Performance related incentive payments (Note)	–	–	–	–	400	–	–	–	–	–	400
	50	–	–	71	761	49	–	100	100	100	1,231

Note: The performance related incentive payments are determined with reference to the operating results, individual performance and comparable market statistics during both years.

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

(b) Information regarding employees' emoluments:

Of the five individuals with the highest emoluments in the Group, three (2005: two) were directors of the Company whose emoluments are included in note 7(a). The emoluments of the remaining two (2005: three) individuals were as follows:

	2006	2005
	HK$'000	*HK$'000*
Salaries and other benefits	**1,269**	1,197
Contributions to the retirement benefit schemes	**24**	43
	1,293	1,240

The emoluments of each of the two (2005: three) individuals were below HK$1,000,000.

8. FINANCE COSTS

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Interest on borrowings wholly repayable within five years:		
Other borrowings	**1,632**	–
Convertible notes	**9,142**	708
Amount due to a related company	**–**	126
	10,774	834

9. GAIN ON DISPOSAL OF SUBSIDIARIES

In the prior year, the Group disposed of its entire interests in certain subsidiaries. The gain on disposal of subsidiaries is computed as follows:

	2005
	HK$'000
Net liabilities disposed of:	
Other payables and accrued charges	(1,415)
Amount due to a related company	(6,132)
	(7,547)
Gain on disposal of subsidiaries	7,547
Cash consideration received	–

The subsidiaries disposed of in the prior year did not contribute significantly to the Group's revenue and operating results in prior year.

10. PROFIT (LOSS) BEFORE TAXATION

	2006	2005
	HK$'000	*HK$'000*
Profit (loss) before taxation has been arrived at after charging:		
Directors' remuneration (note 7(a))	**2,162**	1,231
Contributions to the Mandatory Provident Fund	**53**	46
Other staff costs	**1,881**	1,560
Total staff costs	**4,096**	2,837
Auditors' remuneration	**850**	850
Depreciation of property, plant and equipment	**74**	122
Minimum lease payments under operating leases in respect of land and buildings	**725**	393
Share of tax of an associate (included in share of result of an associate)	**9,503**	716
and after crediting:		
Gross rental income less direct operating expenses from investment properties that generated rental income during the year of HK$328,000 (2005: HK$363,000)	**853**	483
Dividend income	**1,469**	948
Interest income	**3,475**	2,122

11. TAXATION

No provision for Hong Kong Profits Tax has been made since the Group had no assessable profits for both years. The amount represents tax arising in other jurisdictions which is calculated at the rates prevailing in the relevant jurisdictions.

The tax charge for the year can be reconciled to the profit (loss) before taxation per the consolidated income statement as follows:

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Profit (loss) before taxation	**25,614**	(10,005)
Tax at the domestic income tax rate of 17.5% (2005: 17.5%)	**4,482**	(1,751)
Tax effect of share of results of an associate	**(6,417)**	(309)
Tax effect of expenses not deductible for tax purpose	**4,066**	3,064
Tax effect of income not taxable for tax purpose	**(4,351)**	(1,836)
Tax effect of losses not recognised	**2,445**	960
Effect of different tax rate of subsidiaries operating in other jurisdictions	**(86)**	(63)
Others	**(24)**	20
Taxation charge for the year	**115**	85

At the balance sheet date, the Group had unused tax losses of HK$213,809,000 (2005: HK$199,838,000) available to offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. The losses may be carried forward indefinitely. There were no other significant temporary differences arising during the year or at the balance sheet date.

12. EARNINGS (LOSS) PER SHARE

The calculation of basic earnings (loss) per share is based on the profit for the year of HK$25,499,000 (2005: loss of HK$10,090,000) and 1,717,484,600 (2005: weighted average of 1,258,869,558) shares in issue during the year.

No diluted earnings (loss) per share figures have been presented for 2006 and 2005 because the exercise prices of the convertible notes were higher than the average market price of the Company's shares in 2006 and 2005.

12. EARNINGS (LOSS) PER SHARE *(continued)*

The following table summarises the impact of adoption of new HKFRSs on basic earnings (loss) per share:

	2006	2005
	HK cents	*HK cents*
Reported figures before adjustments	**0.87**	(0.80)
Adjustments arising from the adoption of new HKFRSs	**0.61**	–
Restated	**1.48**	(0.80)

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	**Furniture and equipment**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
COST			
At 1 April 2004	262	202	464
Additions	–	8	8
At 1 April 2005	262	210	472
Additions	–	7	7
At 31 March 2006	**262**	**217**	**479**
DEPRECIATION			
At 1 April 2004	128	113	241
Provided for the year	87	35	122
At 1 April 2005	215	148	363
Provided for the year	47	27	74
At 31 March 2006	**262**	**175**	**437**
NET BOOK VALUES			
At 31 March 2006	**–**	**42**	**42**
At 31 March 2005	47	62	109

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	33%
Furniture and equipment	15% - 25%

14. INVESTMENT PROPERTIES

	2006 HK$'000	2005 HK$'000
FAIR VALUE		
At the beginning of the year	**21,600**	22,200
Decrease in fair value recognised in the consolidated income statement	**(800)**	–
Decrease arising from revaluation	**–**	(600)
At the end of the year	**20,800**	21,600

The fair value of the Group's investment properties at 31 March 2006 have been arrived at on the basis of a valuation carried out on that day by Knight Frank Petty Limited, independent qualified professional valuers not connected with the Group. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

All investment properties are situated in the PRC and held under medium term leases. The properties were rented out under operating leases.

15. INTEREST IN AN ASSOCIATE

	2006 HK$'000	2005 HK$'000
Cost of investment in an associate – unlisted	**60,185**	60,185
Share of post-acquisition profits, net of dividend	**39,304**	1,763
At the end of the year	**99,489**	61,948

15. INTEREST IN AN ASSOCIATE *(continued)*

Included in the cost of investment in an associate is goodwill of HK$13,686,000 (2005: HK$13,801,000) arising on acquisition of an associate. The movement of goodwill is set out below:

	HK$'000
Cost	
At 1 April 2004 and 31 March 2005	13,801
Elimination of accumulated amortisation upon the adoption of HKFRS 3	(115)
At 31 March 2006	**13,686**
Amortisation	
At 1 April 2004 and 31 March 2005	115
Elimination of accumulated amortisation upon the adoption of HKFRS 3	(115)
At 31 March 2006	**–**
Carrying value	
At 31 March 2005 and 31 March 2006	**13,686**

Prior to application of HKFRS 3, goodwill was amortised over 12 years.

On 28 January 2005, the Group completed the acquisition of 25% of the equity interest in Shijiazhuang Shuanghuan Automobile Co., Ltd. ("Shuanghuan"), a sino-foreign joint venture established in the PRC and engaged in the manufacture and sales of motor vehicles, through acquisition of a subsidiary.

The following details have been extracted from the management accounts, prepared under accounting principles generally accepted in Hong Kong, of Shuanghuan;

	1.4.2005 to 31.3.2006 ***HK$'000***	**1.2.2004 to 31.3.2005** *HK$'000*
Results for the year/period		
Revenue	**664,116**	72,850
Profit after taxation	**146,684**	7,052
Profit after taxation attributable to the Group	**36,671**	1,763

15. INTEREST IN AN ASSOCIATE *(continued)*

	2006	2005
	HK$'000	*HK$'000*
Financial position		
Non-current assets	**102,481**	84,034
Current assets	**470,191**	406,961
Current liabilities	**(238,043)**	(289,959)
Non-current liabilities	**(3,445)**	(7,988)
Net assets	**331,184**	193,048
Net assets attributable to the Group	**85,803**	48,262

Note: The financial year end of Shuanghuan is 31 December.

16. INVESTMENTS IN SECURITIES

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

	Trading securities	**Non-trading securities**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Listed equity securities in Hong Kong	114,952	–	114,952
Unlisted equity securities	–	45,000	45,000
	114,952	45,000	159,952
Less: Impairment losses recognised in respect of unlisted equity securities	–	(39,900)	(39,900)
	114,952	5,100	120,052
Unlisted convertible notes	–	20,000	20,000
Carrying amount analysed for reporting purposes:			
– current asset	114,952	–	114,952
– non current asset	–	25,100	25,100
	114,952	25,100	140,052
Market value of listed equity securities	114,952	N/A	114,952

17. AVAILABLE-FOR-SALE INVESTMENTS

Details of available-for-sale investments as at 31 March 2006 are set out below:

	HK$'000
Unlisted equity securities, at cost	45,000
Impairment losses	(44,025)
	975

The unlisted investments represent approximately 1.6% investment in Hennabun Management International Limited, a company incorporated in British Virgin Islands and engaged in securities trading, investment holding and provision of brokerage and financial services. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

At 31 March 2006, the directors of the Company reviewed the carrying value of the investment based on the expected recoverable amount. Accordingly, a further impairment loss of HK$4,125,000 was recognised.

18. FINANCIAL ASSETS

The directors of the Company consider that the carrying amounts of other receivables and bank balances and cash approximate to their fair values.

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less at prevailing market interest rates. The effective interest rate ranges from 1.1% to 4% (2005: 1%). The directors consider that the carrying amount of these assets approximate their fair value.

19. INVESTMENTS HELD FOR TRADING

Investments held for trading as at 31 March 2006 are set out below:

	HK$'000
Listed equity investments in Hong Kong	212,833

The fair value of investments held for trading are determined based on the quoted market bid prices available on the Stock Exchange.

20. DERIVATIVE FINANCIAL INSTRUMENTS

	2006	
	Assets	Liabilities
	HK$'000	*HK$'000*
Forward commodity contracts (note a)	732	–
Derivatives embedded in convertible notes (note b)	–	1,892
	732	1,892

Notes:

(a) All commodity contracts are normally settled other than by physical delivery of the underlying commodity and hence are classified as derivative financial instruments. On maturity, the contracted price is compared to the spot price and the differential is applied to the contracted quantity. A net amount is paid or received by the Group. The derivatives are measured at fair value at the balance sheet date. Their fair values are determined based on the quoted market prices for equivalent instruments at the balance sheet date.

(b) The derivative financial instruments represent derivative component (conversion option and call option) that is embedded in the convertible notes and is carried at fair value at the balance sheet date. The fair value is calculated using the Binominal model.

21. OTHER PAYABLES AND ACCRUED CHARGES

The directors of the Company consider that the carrying amounts of other payables approximate to their fair values.

22. AMOUNTS DUE TO DIRECTORS

The amounts due to directors are unsecured, interest free and repayable on demand.

The directors of the Company consider that the carrying amount of the amounts due to directors approximate its fair value.

23. CONVERTIBLE NOTES

	HK$'000
Convertible notes	
At 31 March 2005, as originally stated	107,648
Effect of changes in accounting policies (note 2)	(22,653)
At 1 April 2005, as restated	84,995
Interest charged	9,142
Interest paid	(2,606)
Redeemed during the year	(27,438)
At 31 March 2006	**64,093**

As at 31 March 2005, convertible notes for the amount of HK$107,648,000 were classified as non-current liabilities which comprise the carrying value and premium on redemption of convertible notes less the amount of unamortised issued costs.

The Company issued convertible notes of HK$49,950,000 and HK$60,000,000 on 31 January 2005 and 31 March 2005, respectively (the "2005 Convertible Notes"). The 2005 Convertible Notes are unsecured, carry interest at 3% per annum and are repayable upon maturity which is 3 years from the date of issue. Holders of the 2005 Convertible Notes have the right to convert, on any business day, the 2005 Convertible Notes into ordinary shares of the Company during a period of 3 years from the date of issues of the 2005 Convertible Notes. An initial conversion price for the first year is HK$0.027 per share and HK$0.3 per share (subject to adjustment), respectively. The conversion prices of the 2005 Convertible Notes are subject to change from each anniversary of the issue date. The Company may redeem the 2005 Convertible Notes at any time prior to maturity at the outstanding principal amount plus accrued interest (the "call option").

During the year, HK$33,750,000 was redeemed out of the new convertible notes of HK$49,950.000.

According to HKAS 32, the conversion option should be classified as equity component only if the option can be converted by exchange a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. In the case that the conversion options are not settled by the exchange of a fixed amount for fixed number of equity instrument, HKAS 39 requires the issuer to recognise the compound financial instrument in the form of financial liability with embedded derivatives. Under HKAS 39, derivatives embedded in a non-derivative host contract should be accounted for separately when the economic risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. Upon application of HKAS 32 and HKAS 39, the Group re-visited the terms of the convertible notes and determined that the convertible notes do not contain any equity components because the conversion prices for the convertible notes are subject to change and the convertible notes cannot be converted into a fixed number of the Company's shares. Instead, the convertible notes contain derivatives (conversion option and call option) which are not closely related to the host contract and are required to be separately accounted for under HKAS 39.

23. CONVERTIBLE NOTES *(continued)*

Upon application of HKAS 39, the convertible note were split between the liability and derivative components. The liability component is carried at amortised cost using the effective interest method at subsequent balance sheet date. The derivative component is carried at fair value, with changes in fair value recognised in profit or loss. The average effective interest rate of the liability component is approximately 11.54%. The fair value of the liability component of the convertible notes at 31 March 2006 which is determined based on the present value of the estimated future cash outflow discounted at the prevailing market rate for an equivalent non-convertible loan at the balance sheet date was HK$64,093,000.

24. SHARE CAPITAL

	Nominal value per share	**Number of shares**	**Share capital**
	HK$		*HK$'000*
Authorised:			
At 1 April 2004	0.01	20,000,000,000	200,000
Increase in authorised share capital (note (c))	0.01	30,000,000,000	300,000
Upon consolidation of shares (note (e))		(45,000,000,000)	–
At 31 March 2005 and 31 March 2006	0.1	5,000,000,000	500,000
Issued and fully paid:			
At 1 April 2004	0.01	8,348,124,004	83,481
Issue of new shares (note (a))	0.01	5,776,722,000	57,767
Exercise of convertible notes (note (b))	0.01	1,050,000,000	10,500
Upon consolidation of shares (note (d))		(13,657,361,404)	–
	0.1	1,517,484,600	151,748
Issue of new share (note (e))	0.1	200,000,000	20,000
At 31 March 2005 and 31 March 2006	0.1	1,717,484,600	171,748

24. SHARE CAPITAL *(continued)*

Notes:

(a) Pursuant to a subscription agreement dated 30 March 2004, the Company issued 1,669,624,000 new shares of HK$0.01 each in the capital of the Company at a price of HK$0.019 per share to Sunderland Properties Limited. The subscription was completed on 13 April 2004. These new shares issued rank pari passu with the then existing shares in all respects.

Pursuant to a placing agreement dated 30 March 2004 entered into by the Company and Kingston Securities Limited, the placing agent, for placement of 1,669,624,000 new shares of HK$0.01 each in the capital of the Company at a price of HK$0.019 per share. The placement was completed on 7 May 2004. The net proceeds of this placement and the share subscription described above amounting to approximately HK$$62,000,000 was used in the investment of listed securities and the acquisition of 25% interest in Shuanghuan. These new shares issued rank pari passu with the then existing shares in all respects.

Pursuant to a subscription agreement dated 7 January 2005, the Company issued 1,669,624,000 and 767,850,000 new shares of HK$0.01 each in the capital of the Company at a price of HK$0.04 per share to Kaison Limited, a substantial shareholder of the Company, as at the balance sheet date, and Everfull International Limited. The subscription was completed on 21 January 2005. The net proceeds amounting to approximately HK$94,500,000 was used in redemption part of convertible notes, investment of listed securities and daily operation. These new shares issued rank pari passu with the then existing shares in all respects.

(b) On 13 February 2004, the Company entered into a subscription agreement with a placing agent for the subscription of an aggregate principal amount of HK$22,000,000 convertible notes (the "Convertible Notes") issued by the Company. The Convertible Notes are unsecured, carry interest at 2% per annum and are repayable upon maturity on 29 March 2006 (the "Maturity Date") on the amount outstanding. The Company may redeem the Convertible Notes to the extent of the entire principal amount outstanding at any time until fourteen days prior to the Maturity Date. The Convertible Notes may be converted into ordinary shares of the Company at an initial conversion price of HK$0.022 per share, subject to adjustments.

The application of HKAS 32 has had no material impact on how the results of the Company are presented for the current or prior accounting periods. The Convertible Notes were fully converted into the Company's share for the year ended 31 March 2005.

(c) Pursuant to an ordinary resolution passed at the annual general meeting held on 24 September 2004, the authorised share capital of the Company was increased from HK$200,000,000 to HK$500,000,000 by the creation of additional 30,000,000,000 new shares of HK$0.01 each in the capital of the Company.

(d) Pursuant to an ordinary resolution passed at the extraordinary general meeting held on 10 March 2005, every ten issued and unissued ordinary shares of HK$0.01 each in the share capital of the Company were consolidated into one consolidated share of HK$0.1 each in the capital of the Company.

(e) Pursuant to a placing agreement dated 1 February 2005 entered into by the Company and Kingston Securities Limited, the placing agent, for placement of 200,000,000 new shares of HK$0.1 each in the capital of the Company at a price of HK$0.3 per share. The placement was completed on 31 March 2005. The net proceeds amounting to approximately HK$58,000,000 was partially used in investment of listed securities. These new shares issued rank pari passu with the then existing shares in all respects.

25. ACQUISITION OF A SUBSIDIARY

On 18 November 2004, the Group announced to acquire the entire issued share capital of Tian Yang (H.K.) Company Limited which holds 25% equity interest in Shuanghuan which is engaged in the manufacture and sales of motor vehicles for a consideration of HK$60,000,000. The acquisition was completed on 28 January 2005 and has been accounted for by the Group using the acquisition method of accounting.

The net assets of the subsidiary at the effective date of acquisition were as follows:

	2005 *HK$'000*
Interest in an associate	60,300
Creditors and accrued charges	(300)
Total consideration paid	60,000
Net cash outflow arising on acquisition	
Consideration paid	(60,000)
Bank balances and cash acquired	–
	(60,000)

The subsidiary acquired during the year ended 31 March 2005 did not contribute significantly to the Group's operating results for the year ended 31 March 2005 except for the share of result of an associate of HK$1,763,000.

26. RETIREMENT BENEFIT SCHEME

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Mandatory Provident Fund Scheme is funded by monthly contribution from both employees and the Group at a rate of 5% of the employee's basic salary with maximum employee's contribution of not exceeding HK$1,000 a month.

The retirement benefit cost charged to the income statement of HK$77,000 (2005: HK$49,000) represents contributions payable to the scheme by the Group at rate specified in the rules of the scheme.

27. OPERATING LEASE ARRANGEMENTS

The Group as lessee

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

	2006	2005
	HK$'000	*HK$'000*
In respect of rented premises:		
Within one year	**1,136**	353
In the second to fifth year inclusive	**634**	–
	1,770	353

Operating lease payments represent rentals payable by the Group rented premises. Leases are negotiated for an average term of two years.

The Group as lessor

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2006	2005
	HK$'000	*HK$'000*
Within one year	**867**	934
In the second to fifth year inclusive	**87**	577
	954	1,511

Leases are negotiated for an average term of two years.

28. POST BALANCE SHEET EVENTS

On 20 April 2006, the Company entered into a placing agreement for placing convertible notes in an aggregate principle amount of HK$49,800,000 with interest at a rate of 5% per annum. The convertible notes will carry a right to convert into new shares of HK$0.10 each in the capital of the Company at the conversion price of, subject to adjustment, HK$0.145 per share from the date of issue of the convertible notes to the date immediately before the first anniversary of the date of issue of the convertible notes, HK$0.160 per share from the first anniversary of the date of issue of the convertible notes to the date immediately before the second anniversary of the date of issue of the convertible notes, and HK$0.176 per share from the second anniversary of the date of issue of the convertible notes to the date immediately before the third anniversary of the date of issue of the convertible notes which is the maturity date of the convertible notes.

The placing is conditional upon the Stock Exchange granting or agreeing to grant the listing of and permission to deal in the converted new shares of the Company.

Notes To The Financial Statements

For the year ended 31 March 2006

29. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 March 2006 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued share capital/ registered and paid-up capital	Proportion of nominal value of issued share capital/registered and paid-up capital held by the Company		Principal activities
			Directly	*Indirectly*	
China Sci-Tech Secretaries Limited	Hong Kong	HK$10,000	100%	–	Provision of secretarial services and investment holding
Cyber Range Limited	British Virgin Islands*	US$1	100%	–	Investment holding
Harbour Fair Overseas Limited	British Virgin Islands*	US$1	100%	–	Investment holding
Millennium Riders Limited	British Virgin Islands*	US$1	100%	–	Investment holding
Perfect Touch Technology Inc.	British Virgin Islands*	US$2	100%	–	Investment holding
Smart Ease Limited	Hong Kong	HK$2	100%	–	Investment holding
Kingarm Company Limited	Hong Kong	HK$2	–	100%	Property investment
Partner United Limited	British Virgin Islands*	US$1	–	100%	Investment holding
Skytop Technology Limited	Hong Kong	HK$3	–	100%	Securities investment
Tian Yang (H.K.) Company Limited	Hong Kong	HK$10,000	–	100%	Investment holding
Unigolden Limited	Hong Kong	HK$2	–	100%	Property investment
Zeal Advance Limited	British Virgin Islands*	US$1	–	100%	Investment holding

* These companies are engaged in investment business and have no specific principal place of operations.

In the opinion of the directors of the Company, the above companies will principally affect the operations of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities at 31 March 2006 or at any time during the year.