1. GENERAL

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

The Company is an investment holding company and provides corporate management services. The activities of the Company's principal subsidiaries are set out in note 37.

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

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRS(s)"), Hong Kong Accounting Standards ("HKAS(s)") and Interpretations (hereinafter collectively referred to as "new HKFRS(s)") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are effective for accounting periods beginning on or after 1st January 2005. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and prior accounting years are presented:

Share-based payments

In the current year, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Group, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1st April 2005. In relation to share options granted before 1st April 2005, the Group chooses not to apply HKFRS 2 with respect to share options granted after 7th November 2002 and vested before 1st April 2005 (see note 3 for the financial impact).

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES (continued)

Financial instruments

In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1st January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact on how financial statements of the Group are presented for current and prior accounting periods. The principal effects resulting from the implementation of HKAS 39 are summarised below:

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.

By 31st March 2005, the Group classified and measured its investments in equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 "Accounting for Investments in Securities" issued by the HKICPA ("SSAP 24"). Under SSAP 24, the Group's investments in equity securities are classified as "investments in securities" and "other investments". "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in profit or loss. From 1st April 2005 onwards, the Group has classified and measured its investments in equity securities in accordance with HKAS 39 as "financial assets at fair value through profit or loss" and "available-for-sale 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. Available-for-sale equity investments that do not have quoted market prices 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 are measured at cost less impairment after initial recognition.

On 1st April 2005, the Group classified and measured its investments in equity securities in accordance with the transitional provisions of HKAS 39. As a result, "investments in securities" and "other investments" amounted to HK$42,000,000 and HK$209,000, respectively, have been classified as available-for-sale investments and investments held for trading on 1st April 2005 (see note 3 for the financial impact).

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets and financial liabilities other than debt and equity securities

From 1st April 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than investments in equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. 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" and "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 measured 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 after initial recognition.

Investment properties

In the current year, the Group has, for the first time, applied HKAS 40 "Investment Property". 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 accounting 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 consolidated income statement. Where a decrease had previously been charged to the consolidated income statement and a revaluation surplus subsequently arose, that increase was credited to the consolidated 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 1st April 2005 onwards. The application of HKAS 40 has had no impact on current and prior accounting years.

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 HK(SIC) Interpretation 21 "Income Taxes - Recovery of Revalued Non-Depreciable Assets" 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. The application of the interpretation has had no impact on current and prior accounting years.

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described in note 2 on the results for the current and prior years are as follows:

	Effect of adopting	2006 HK$'000	2005 HK$'000
Recognition of share options granted to employees of the Group as expenses (included in administrative expenses)	HKFRS 2	**256**	–
Increase in loss for the year		**256**	–

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

	As at 31.3.2005 (Originally stated) HK$'000	HKAS 39 Adjustments HK$'000	As at 1.4.2005 (Restated) HK$'000
Investments in securities	42,000	(42,000)	–
Other investments	209	(209)	–
Available-for-sale investments	–	42,000	42,000
Investments held for trading	–	209	209
	42,209	–	42,209

4. POTENTIAL IMPACT ARISING ON THE NEW ACCOUNTING STANDARD NOT YET EFFECTIVE

The Group has not early applied the following new standards, amendments and interpretations that have been issued by the HKICPA but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and financial positions of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[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 HKAS 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 1st January.2007.

2 Effective for annual periods beginning on or after 1st January.2006.

3 Effective for annual periods beginning on or after 1st December 2005.

4 Effective for annual periods beginning on or after 1st March 2006.

5 Effective for annual periods beginning on or after 1st May 2006.

6 Effective for annual periods beginning on or after 1st June 2006.

5. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and 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 HKFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

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

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

All inter-group transactions, balances, income and expenses are eliminated on consolidation.

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.

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

Property, plant and equipment

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in associates

The results and assets and liabilities of associates are incorporated in these consolidated 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 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 (which includes any long-term interests that, in substance, form part of the Group's net investment in the 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.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity 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 profit or loss.

Financial assets

The Group's financial assets are mainly classified into available-for-sale investments, loans and receivables and investments held for trading. 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.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Available-for-sale investments

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in profit or loss in subsequent periods.

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, 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.

Loans and receivables

Loans and receivables including trade and other receivables and bank balances and cash 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, they 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.

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.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity

Financial liabilities and equity instruments issued by a 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 in respect of the Group's financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including other payables, bank overdrafts and unsecured short-term loan are subsequently 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.

Share-based payment transactions

Equity-settled share-based payment transactions

The fair value of services received from employees determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share option reserve).

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible 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. An impairment loss is recognised as an expense immediately.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment (continued)

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.

Revenue recognition

Revenue represents the fair value of the considerations received and receivable for goods sold by the Group, less returns, to outside customers.

Sales of goods are recognised when goods are delivered and title has passed.

Sales of securities are recognised on a trade date basis.

Interest income from a financial asset is accrued on a time 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.

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

Leasing

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

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

Retirement benefit costs

Payments to state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme in Hong Kong are charged as expenses as they fall due.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Hong Kong dollars at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Taxation

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

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

Deferred tax is 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 tax liabilities are generally recognised for all taxable temporary differences and deferred tax 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 goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

Deferred tax 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 tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

6. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies described in note 5, management makes various estimations based on past experiences, expectations of the future and other information. The key sources of estimation uncertainty that may significantly affect the amounts recognised in the consolidated financial statements are disclosed below:

Impairment of trade and other receivables and loans receivable

Management regularly reviews the recoverability and/or age analysis of trade and other receivables and loans receivable. During the year ended 31st March 2006, impairments of HK$13,860,000 and HK$26,247,000, respectively, on trade receivables and loans receivable were recognised where events or changes in circumstances indicate that the balances may not be collectible and irrecoverable.

The Group has sent reminders and has taken legal actions to recover the overdue debts. However, those debtors either refused to pay or were unable to locate. As a result, impairment were recognised. The impairments are recognised on the difference between the estimated future cash flow expected to receive discounted using the original effective interest rate and its carrying value.

In addition, an impairment of HK$89,296,000 was recognised in respect of the deposits paid as described in note 23.

If the conditions are improved, resulting in the recoverable amounts of these debtors higher than their carrying amounts, the impairment may be excessive.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, loans receivable, available-for-sale investments, investments held for trading, bank balances and cash, other payables and unsecured short-term loan. 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. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31st March 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. The Group's concentration of credit risk is primarily attributable to its trade and other receivables of HK$132,366,000 and loans receivable of HK$236,954,000 which are concentrated on five and twelve companies or individuals respectively. In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debtor and loans debtor at each balance sheet date to ensure that adequate impairment losses are recognised for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

Interest rate risk

The Group has exposure of cash flow interest rate risk through the impact of the rate changes on loans receivable. The Group does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

Foreign exchange risk

As substantial transactions entered into by the Group are denominated in Hong Kong dollars, the Group's exposure to foreign exchange risk is insignificant.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Price risk

The Group's available-for-sale investments and investments held for trading amounting to HK$60,000,000 and HK$50,309,000, respectively, are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity security price risk. Management manages this exposure by maintaining a portfolio of investments with different risk profiles.

8. REVENUE

Revenue represents the net amounts received and receivable from sales of goods, sales of securities, interest income from provision of finance and dividend income during the year, and is analysed as follows:

	2006	2005
	HK$'000	*HK$'000*
Sales of goods	**23,355**	40,018
Sales of securities	**48,036**	–
Interest income from provision of finance	**26,369**	32,219
Dividend income from investments held for trading		
– Hong Kong listed shares	**–**	1
	97,760	72,238

9. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION

For management purposes, the Group is currently organised into five (2005: five) main operating segments: trading of goods, provision of finance, trading of securities, property holding and investment and investment activities. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

Business segments

	For the year ended 31st March 2006					
	Trading of goods *HK$'000*	Provision of finance *HK$'000*	Trading of securities *HK$'000*	Property holding and investment *HK$'000*	Investment activities *HK$'000*	Consolidated *HK$'000*
REVENUE						
External sales	23,355	26,369	48,036	-	-	97,760
RESULTS						
Segment results	(104,030)	151	(2,647)	(2,903)	(34,250)	(143,679)
Unallocated corporate expenses, net						(12,794)
Interest on bank and other borrowings wholly repayable within five years						(1,274)
Share of result of an associate	-	-	-	-	400	400
Loss before tax						(157,347)
Income tax expense						(2,423)
Loss for the year						(159,770)

9. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION (continued)

Business segments (continued)

	At 31st March 2006					
	Trading of goods *HK$'000*	Provision of finance *HK$'000*	Trading of securities *HK$'000*	Property holding and investment *HK$'000*	Investment activities *HK$'000*	Consolidated *HK$'000*
ASSETS						
Segment assets	130,996	236,968	50,310	3,616	67,870	489,760
Unallocated corporate assets						32,813
Consolidated total assets						522,573
LIABILITIES						
Segment liabilities	115	2,414	2,954	509	5	5,997
Unallocated corporate liabilities						14,933
Consolidated total liabilities						20,930

9. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION (continued)

Business segments (continued)

	For the year ended 31st March 2006					
	Trading of goods *HK$'000*	Provision of finance *HK$'000*	Trading of securities *HK$'000*	Property holding and investment *HK$'000*	Investment activities *HK$'000*	Consolidated *HK$'000*
OTHER INFORMATION						
Capital additions	336	–	–	–	1,225	1,561
Decrease in fair value of investment properties	–	–	–	2,700	–	2,700
Depreciation for property, plant and equipment	42	–	–	–	323	365
Impairment loss recognised in respect of loans receivable	–	26,247	–	–	–	26,247
Impairment loss recognised in respect of trade and other receivables	103,156	–	–	–	–	103,156
Impairment loss recognised in respect of available-for-sale investments	–	–	–	–	34,130	34,130
Gain on changes in fair value of investments held for trading	–	–	7,100	–	–	7,100

9. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION (continued)

Business segments (continued)

	For the year ended 31st March 2005					
	Trading of goods	Provision of finance	Trading of securities	Property holding and investment	Investment activities	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE						
External sales	40,018	32,219	1	–	–	72,238
RESULTS						
Segment results	358	29,996	(75)	(133)	(274)	29,872
Unallocated corporate expenses						(11,593)
Gain on disposal of subsidiaries	–	–	–	–	50	50
Share of result of an associate	–	–	–	–	494	494
Profit before tax						18,823
Income tax expense						(2,504)
Profit for the year						16,319

9. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION (continued)

Business segments (continued)

	At 31st March 2005					
	Trading of goods	Provision of finance	Trading of securities	Property holding and investment	Investment activities	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS						
Segment assets	27,951	425,658	211	5,777	42,141	501,738
Interest in an associate	–	–	–	–	3,614	3,614
Unallocated corporate assets						4,634
Consolidated total assets						509,986
LIABILITIES						
Segment liabilities	76	30	5	329	5	445
Unallocated corporate liabilities						2,821
Consolidated total liabilities						3,266

	For the year ended 31st March 2005					
	Trading of goods	Provision of finance	Trading of securities	Property holding and investment	Investment activities	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
OTHER INFORMATION						
Capital additions	–	–	–	–	479	479
Depreciation for property, plant and equipment	–	–	–	–	186	186
Unrealised loss on other investments	–	–	63	–	–	63

9. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION (continued)

Geographical segments

The Group's operations are mainly located in Hong Kong and the People's Republic of China, other than Hong Kong (the "PRC"). Over 90% of the Group's sales are arisen in Hong Kong. Accordingly, no geographical analysis of sales is presented.

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

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**386,878**	460,595	**1,211**	479
The PRC	**135,395**	45,777	**350**	–
	522,273	506,372	**1,561**	479

10. INVESTMENT INCOME (EXPENSE)

	2006	2005
	HK$'000	*HK$'000*
Interest income from:		
Banks	**84**	–
Others	**1**	–
Gain on changes in fair value of investments held for trading	**7,100**	–
Unrealised loss on other investments	**–**	(63)
	7,185	(63)

11. INCOME TAX EXPENSE

	2006	2005
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong Profits Tax – current year	**2,423**	2,504

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for both years.

The Company's PRC subsidiary is registered in Shenzhen and is subject to a preferential tax rate of 15%.

Details of unrecognised deferred taxation are set out in note 28.

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

	2006	2005
	HK$'000	*HK$'000*
(Loss) profit before tax	**(157,347)**	18,823
Tax at domestic income tax rate of 17.5%	**(27,536)**	3,294
Tax effect of expenses not deductible for tax purposes	**29,709**	17
Tax effect of income not taxable for tax purposes	**(80)**	(41)
Tax effect of result of an associate	**(70)**	(87)
Tax effect of tax losses not recognised	**562**	105
Tax effect of other deferred tax assets not recognised	**(12)**	9
Utilisation of tax losses previously not recognised	**(125)**	(793)
Recognition of deferred tax assets previously not recognised	**(54)**	–
Effect of different tax rates of subsidiaries	**29**	–
Income tax expense for the year	**2,423**	2,504

12. (LOSS) PROFIT FOR THE YEAR

	2006	2005
	HK$'000	*HK$'000*
(Loss) profit for the year has been arrived at after charging:		
Salaries and allowances, including those of directors	**5,714**	6,342
Share-based payments	**256**	–
Contribution to retirement benefit schemes, including those of directors, net of forfeited contributions HK$15,000 (2005: HK$10,000)	**181**	220
Total employee benefit expense including those of directors	**6,151**	6,562
Auditors' remuneration:		
Current year	**1,330**	1,080
Underprovision in prior year	**–**	120
	1,330	1,200
Cost of inventories recognised as expense	**23,108**	39,617
Depreciation for property, plant and equipment	**365**	186
Loss on disposal of property, plant and equipment	**344**	–
Net loss on disposal of investments held for trading	**9,679**	–
and after crediting:		
Gain on disposal of property, plant and equipment	**–**	12

13. DIRECTORS' EMOLUMENTS

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

2006

	Yau Shum Tek, Cindy *HK$'000*	Kwong Wai Tim, William *HK$'000*	Lai Ming Wai *HK$'000*	Kwok Wai Ming *HK$'000*	Lam Ping Cheung *HK$'000*	Kwong Kai Sing, Benny *HK$'000*	Lo Ming Chi, Charles *HK$'000*	Chiu Siu Po *HK$'000*	Hui Wai Man, Shirley *HK$'000*	Gary Drew Douglas *HK$'000*	Total 2006 *HK$'000*
Fees	-	-	-	-	120	104	120	29	16	16	405
Other emoluments											
Salaries and other benefits	420	1,532	810	293	-	-	-	-	-	-	3,055
Performance related incentive payments	-	-	-	-	-	-	-	-	-	-	-
Contribution to retirement benefit scheme	21	56	41	4	-	-	-	-	-	-	122
Total emoluments	441	1,588	851	297	120	104	120	29	16	16	3,582

2005

	Yau Shum Tek, Cindy *HK$'000*	Kwong Wai Tim, William *HK$'000*	Lai Ming Wai *HK$'000*	Lam Ping Cheung *HK$'000*	Kwong Kai Sing, Benny *HK$'000*	Lo Ming Chi, Charles *HK$'000*	Total 2005 *HK$'000*
Fees	–	–	–	120	120	63	303
Other emoluments							
Salaries and other benefits	480	1,920	960	–	–	–	3,360
Performance related incentive payments	20	80	40	–	–	–	140
Contribution to retirement benefit scheme	20	66	50	–	–	–	136
Total emoluments	520	2,066	1,050	120	120	63	3,939

No directors waived any emoluments during the year ended 31st March 2006 (2005: nil).

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2005: three) were directors of the Company whose emoluments are included in the disclosures in note 13 above. Emoluments of the remaining two (2005: two) individuals were as follows:

	2006	2005
	HK$'000	*HK$'000*
Salaries and other benefits	**813**	722
Share-based payments	**32**	–
Contributions to retirement benefit schemes	**28**	16
	873	738

No emoluments were paid by the Group to the directors or the above individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

15. DIVIDEND

No dividend was proposed or paid by the Company for both years.

16. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share for the year is based on the loss for the year of HK$159,770,000 (2005: profit of HK$16,319,000) and on the weighted average number of 236,820,586 (2005: 187,050,723 adjusted for the effect of share consolidation) ordinary shares in issue.

Diluted loss per share for the year ended 31st March 2006 has not been presented as assuming the exercise of the Company's outstanding share options would result in a reduction in loss per share.

Diluted earnings per share for the year ended 31st March 2005 has not been presented as the exercise price of the Company's outstanding share options was higher than the average market price for shares for that year.

16. (LOSS) EARNINGS PER SHARE (continued)

The adjustment to basic (loss) earnings per share, arising from the changes in accounting policies shown in note 3, is as follows:

	Impact on basic (loss) earnings per share	
	2006	2005
	HK cents	*HK cents*
Reconciliation of (loss) earnings per share:		
Figure before adjustment	**(67.35)**	8.72
Adjustment arising from the adoption of HKFRS 2	**(0.11)**	–
Reported/restated	**(67.46)**	8.72

17. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1st April 2004 and 31st March 2005	5,700
Decrease in fair value recognised in the consolidated income statement	(2,700)
At 31st March 2006	**3,000**

The Group's investment properties, which are held for rental purposes under operating leases, are held under long-term leases in the PRC.

The Group had paid full consideration for the investment properties in the PRC. However, the Group has not obtained the title for the properties having a carrying amount of HK$2,200,000 (2005: HK$4,500,000) as at 31st March 2006.

The fair values of the Group's investment properties at 31st March 2006 have been arrived at on the basis of valuation carried out on that date by RHL Appraisal Ltd., a firm of independent property 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.

18. PROPERTY, PLANT AND EQUIPMENT

	Fixtures, furniture and equipment	Computer equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
COST				
At 1st April 2004	1,203	467	837	2,507
Additions	388	91	–	479
Disposals	(728)	(111)	(169)	(1,008)
At 31st March 2005	863	447	668	1,978
Additions	414	99	1,048	1,561
Disposals	(337)	–	(866)	(1,203)
At 31st March 2006	**940**	**546**	**850**	**2,336**
DEPRECIATION				
At 1st April 2004	860	445	790	2,095
Provided for the year	126	30	30	186
Eliminated on disposals	(649)	(108)	(152)	(909)
At 31st March 2005	337	367	668	1,372
Provided for the year	242	40	83	365
Eliminated on disposals	(42)	–	(707)	(749)
At 31st March 2006	**537**	**407**	**44**	**988**
CARRYING VALUES				
At 31st March 2006	**403**	**139**	**806**	**1,348**
At 31st March 2005	526	80	–	606

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

Fixtures	15% or over the terms of the relevant lease, whichever is shorter
Computer equipment	$33^1/_3$%
Motor vehicles	30%
Furniture and equipment	15%

19. INTEREST IN AN ASSOCIATE AND AMOUNT DUE FROM AN ASSOCIATE

	2006	2005
	HK$'000	*HK$'000*
Cost of investment in an associate	**-**	–
Less: Share of post-acquisition profits	**-**	494
	-	494

As at 31st March 2005, the amount due from an associate was unsecured, interest-free and had no fixed terms of repayment.

During the current year, the Group disposed of its associate to an independent third party for a consideration of HK$14,000.

20. INVESTMENTS IN SECURITIES

Investments in securities as at 31st March 2005 are set out below. Upon the application of HKAS 39 on 1st April 2005, investments in securities at 31st March 2005 of HK$42,000,000 and HK$209,000 were reclassified to available-for-sale investments and investments held for trading, respectively under HKAS 39 (see note 3 for details).

	2005
	HK$'000
Non-current investments:	
Investment securities, at cost	
Overseas unlisted shares	90,000
Less: Impairment losses recognised	(48,000)
	42,000
Current investments:	
Other investments, at market value	
Hong Kong listed shares	209

21. AVAILABLE-FOR-SALE INVESTMENTS

	2006 *HK$'000*
Non-current investments:	
Unlisted overseas equity securities, at cost *(note i)*	90,000
Less: Impairment losses recognised	(82,130)
	7,870
Listed equity securities in Hong Kong, at fair value *(note ii)*	60,000
	67,870

Notes:

(i) The unlisted equity securities were issued by private entities incorporated in overseas. 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.

The directors of the Company consider that these available-for-sale investments are held for long-term strategic purposes. Out of the cost of HK$90,000,000 at 31st March 2006:

(a) an amount of HK$50,000,000 represents the Group's investment in an investee company, Hennabun Management International Limited ("HMIL"). HMIL acts as an investment holding company of companies engaged in the brokerage, commodity trading, margin financing, money lending, corporate finance advisory services and proprietary trading activities.

At 31st March 2006, an impairment loss of HK$48,000,000 (2005: HK$48,000,000) had been recognised in the Group's investment in HMIL to reflect the recoverable amount of the investment.

(b) the other amount of HK$40,000,000 represents the Group's investment in 22.5% of the registered capital of Xi'an Yizhiliu. According to the Memorandum of Associate of Xi'an Yizhiliu, the Group cannot appoint a director in Xi'an Yizhiiu and thus, it is not in a position to exercise significant influence over its affairs.

A valuation on Xi'an Yizhiliu's major assets as at 31st March 2006 was performed by an independent business valuer. In view of the negative operating cash flows of Xi'an Yizhiliu in the previous years, the valuation was determined based on the fair values of its underlying assets and liabilities. By reference to this valuation, an impairment loss of HK$34,130,000 (2005: Nil) had been recognised in the Group's investment in Xi'an Yizhiliu to reflect the recoverable amount of the investment as at 31st March 2006. Such impairment loss was charged to consolidated income statement during the year.

(ii) The listed equity securities is stated at fair value. Fair value of the investment has been determined by reference to bid prices quoted in active markets.

22. LOANS RECEIVABLE

	2006 HK$'000	2005 HK$'000
Floating rate loans receivable	**236,954**	425,651
The loans receivable are repayable as follows:		
Within one year	**124,054**	213,651
More than one year, but not exceeding two years	**112,900**	103,926
More than two years, but not exceeding three years	**–**	108,074
	236,954	425,651
Less: Amount due within one year shown under current assets	**(124,054)**	(213,651)
Amount due over one year	**112,900**	212,000

The amounts are unsecured and carry interest at prevailing market rates.

The Group's loans receivable are floating-rate receivables which carry interest ranged from prime rate quoted by The Hongkong and Shanghai Banking Corporation Limited (the "Prime Rate") to Prime Rate plus 3% (2005: Prime Rate to Prime Rate plus 3%) per annum.

The ranges of the effective interest rates (which are also equal to contracted interest rates) on the Group's loans receivable are ranged from 7.96% to 11.13%.

The directors consider that the carrying amounts of the loans receivable at the balance sheet date approximate their fair values.

The carrying amount of the loans receivable at 31st March 2006 included an impairment loss of HK$26,247,000. During the year, the Group has delegated a team to take follow-up actions to recover the overdue debts. However, these debtors either refused to pay or were unable to be located. In light with this, impairment loss was recognised.

23. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 days to its trade customers.

	2006	2005
	HK$'000	*HK$'000*
Trade receivables *(note i)*		
0 – 30 days	**–**	21,907
Over 180 days	**13,860**	–
	13,860	21,907
Less: Impairment	**(13,860)**	–
	–	21,907
Deposits paid and prepayments *(note ii)*	**221,135**	6,000
Other receivables	**527**	555
Less: Impairment	**(89,296)**	–
	132,366	6,555
	132,366	28,462

The directors consider that the carrying amounts of the Group's trade and other receivable at the balance sheet date approximate their corresponding fair values.

Notes:

(i) Trade receivables as at 31st March 2006 represent overdue balances for trading of electronic products. As these debtors have financial difficulties, full impairment loss of HK$13,860,000 has been recognised.

(ii) Included in the deposits paid and prepayments as at 31st March 2006 is an amount of HK$212,596,000 which represents a deposit for the purchase of steel products paid by the Group to a supplier in the PRC during the current year. The purchase of the steel products in terms of the contract is at a fixed price with an upward price adjustment if the production cost of the supplier increases. Subsequent to the conclusion of the contract, the price of steel products decreased to the extent that the directors now consider that it is uneconomical to take delivery of the steel products under this contract. The Group accordingly did not place any purchase orders for steel products from this supplier during the year and is currently trying to negotiate with the supplier for either amendments of the relevant trading terms or a refund of the above deposit.

Subsequent to the balance sheet date, the Group entered an agreement to dispose of 55% of its interest in a group of subsidiaries (whose only significant asset is the above deposit) to an independent third party for a consideration of HK$128,000,000. The completion of this disposal is subject to, among other things, the satisfactory completion of a legal and financial due diligences on the relevant companies being performed by that independent third party and subject to approval of the Company's shareholders.

Up to the date of approval of these financial statements, the deposit has not been refunded to the Group. The directors consider that it may be difficult for the supplier to return the full deposit. Taking into consideration the above factors, the directors of the Company consider that the deposit is worth less than the original amount paid and as such an impairment loss of approximately HK$84,596,000, which was calculated with reference to the consideration receivable from the disposal transaction referred to in the preceding paragraph, was recognised to reflect the irrecoverable amount. Together with an impairment loss on other deposits in the amount of HK$4,700,000, the total impairment loss on deposits paid and prepayments recognised for the current year amounted to HK$89,296,000.

24. INVESTMENTS HELD FOR TRADING

	2006 HK$'000
Equity securities listed in Hong Kong	50,309

The fair values of the above investments are determined based on the quoted market bid prices available on the relevant exchanges.

25. BANK BALANCES AND CASH

The Group's bank balances carry interest rate ranging from 0.75% to 4% per annum.

The carrying amounts of the Group's bank balances and cash at 31st March 2006 approximate their corresponding fair values.

26. OTHER PAYABLES

Included in other payables at 31st March 2006 are margin payables of HK$2,929,000 (2005: Nil) to a financial institution which are secured by certain held-for-trading investments listed in Hong Kong with a carrying amount of approximately HK$25,911,000.

The directors consider that the carrying amounts of the Group's other payables as at balance sheet date approximate their corresponding fair values.

27. UNSECURED SHORT-TERM LOAN

	2006 HK$'000	2005 HK$'000
Unsecured short-term loan	12,004	–

The loan is interest bearing at Prime Rate minus 2% and repayable on demand. The effective interest rate on the Group's loan payable is 0.03% per annum. The loan is settled subsequent to the balance sheet date.

The directors consider that the carrying amount of the Group's unsecured short-term loan at the balance sheet date approximates its fair value.

28. DEFERRED TAX

At 31st March 2006, the Group has unused tax losses of HK$34,141,000 (2005: HK$44,002,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

29. SHARE CAPITAL

	Number of ordinary shares	Amount *HK$'000*
Ordinary shares		
Authorised:		
Balance at 1st April 2004 and 31st March 2005 of HK$0.01 each	200,000,000,000	2,000,000
Share consolidation	(190,000,000,000)	–
Balance at 31st March 2006 of HK$0.20 each	10,000,000,000	2,000,000
Issued and fully paid ordinary shares:		
Balance at 1st April 2004 of HK$0.01 each	3,481,124,045	34,811
Issue of shares	540,000,000	5,400
Balance at 31st March 2005 of HK$0.01 each	4,021,124,045	40,211
Share consolidation	(3,820,067,843)	–
Share of HK$0.20 each subsequent to the share consolidation	201,056,202	40,211
Issue of shares	476,000,000	95,200
Balance at 31st March 2006 of HK$0.20 each	677,056,202	135,411

29. SHARE CAPITAL (continued)

The following changes in the share capital of the Company have taken place since 1st April 2004:

(i) Pursuant to a placing agreement entered into on 5th May 2004, the Company issued 240,000,000 ordinary shares of HK$0.01 each at HK$0.052 per share which represents a discount of approximately 1.89% to the closing price of HK$0.053 per share on 5th May 2004 as quoted on the Stock Exchange. The net proceeds of the placement of HK$12,093,000 was used for additional working capital of the Group.

(ii) Pursuant to a placing agreement entered into on 7th January 2005, the Company issued 300,000,000 ordinary shares of HK$0.01 each at HK$0.040 per share which represents a discount of approximately 11.11% to the closing price of HK$0.045 per share on 6th January 2005 as quoted on the Stock Exchange. The net proceeds of the placement of HK$11,625,000 was used for additional working capital of the Group.

(iii) Pursuant to ordinary resolutions passed on 4th August 2005, the following changes in the Company's share capital took place:

- a share consolidation on the basis that every twenty shares of HK$0.01 each in the issued and unissued share capital of the Company being consolidated into one consolidated share of HK$0.20 each ("Consolidated Share") was carried out ("Share Consolidation"). The authorised share capital of the Company remained at HK$2,000,000,000, but was divided into 10,000,000,000 shares of HK$0.20 each.

- pursuant to a placing agreement entered into on 13th June 2005, the Company issued 20,000,000 Consolidated Shares of HK$0.20 each after the Share Consolidation at HK$0.54 per share which represents a discount of approximately 6.9% to the closing price of HK$0.58 per share on 3rd June 2005. The net proceeds of the placement of HK$10,438,000 was used for additional working capital of the Group.

(iv) Pursuant to a placing agreement entered into on 1st December 2005, the Company issued 44,000,000 Consolidated Shares of HK$0.20 each after the Share Consolidation at HK$0.670 per share which represents a discount of approximately 4.29% to the closing price of HK$0.70 per share on 1st December 2005. The net proceeds of the placement of HK$29,038,000 was used for additional working capital of the Group.

(v) Pursuant to a placing agreement entered into on 30th December 2005, the Company issued 250,000,000 Consolidated Shares of HK$0.20 each after the Share Consolidation at HK$0.20 per share which represents a discount of approximately 2% to the closing price of HK$0.204 per share on 29th December 2005. The net proceeds of the placement of HK$48,276,000 was used for additional working capital of the Group.

29. SHARE CAPITAL (continued)

(vi) Pursuant to a placing agreement entered into on 30th December 2005, the Company issued 150,000,000 Consolidated Shares of HK$0.20 each after the Share Consolidation at HK$0.20 per share. The net proceeds of the placement of HK$29,325,000 was used for additional working capital of the Group.

(vii) On 13th February 2006, certain eligible employees have exercised its shares options total 12,000,000 shares of HK$0.244 each per share. The net proceeds of the exercise of shares of HK$2,928,000 was used for additional working capital of the Group.

These new ordinary shares issued during the year rank pari passu with the then existing ordinary shares of the Company in all respects.

30. SHARE-BASED PAYMENT TRANSACTIONS

The share option scheme of the Company was approved and adopted by the shareholders at the extraordinary general meeting held on 23rd August 2002 (the "2002 Scheme"). The 2002 Scheme shall be valid and effective for a period of 10 years commencing from 23rd August 2002 (the "Adoption Date"). The primary purpose of the 2002 Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

The categories of the participants under the 2002 Scheme are any directors (including executive directors, non-executive directors and independent non-executive directors) of the Company and its subsidiaries and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers to the Group who the Board of Directors of the Company (the "Board") considers, in its sole discretion, have contributed or will contribute to the Group.

The Board may, at its absolute discretion, made an offer to any participant to take up share options. An offer is deemed to have been accepted and a share option is deemed to have been granted and accepted and shall take effect when the duplicate of the offer letter comprising acceptance of the offer duly signed by the grantee and the remittance of HK$1 by way of consideration for the grant thereof is received by the Company. Share options granted may be exercised during the period as notified by the Board to each grantee at the time of making the offer and shall be at any time from the date of grant to the tenth anniversary thereof.

The total number of shares which may be issued upon exercise of all share options granted under the 2002 Scheme and other share option scheme(s) of the Company (excluding share options lapsed) must not exceed 311,612,404 shares, being approximately 10% of the total number of the Company's shares in issue on the Adoption Date, except with prior approvals from the Company's shareholders. The maximum number of shares in respect of which share options may be granted to a specifically identified single grantee under the 2002 Scheme shall not (when aggregated with any shares subject to any other share option scheme(s) of the Company) in any 12-month period exceed 1% of the Company's shares in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in advance in a general meeting.

30. SHARE-BASED PAYMENT TRANSACTIONS (continued)

The subscription price for shares on the exercise of share options under the 2002 Scheme shall be determined by the Board in its absolute discretion but in any event shall not be less than the greatest of: (i) the closing price of the Company's shares as stated in the daily quotations sheets issued by the Stock Exchange on the date on which a share option is granted; (ii) the average closing price of the Company's shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date on which a share option is granted; and (iii) the nominal value of the Company's share.

The 2002 Scheme will expire on 22nd August 2012.

There were 60,000,000 outstanding share options as at 1st April 2005, pursuant to a share consolidation on the basis that every twenty shares of HK$0.01 each in the issued share capital and unissued share capital of the Company being consolidated into one share of HK$0.20 which became effective on 5th August 2005, the subscription price per share and the total number of shares which may be issued relating to these share options granted have been respectively adjusted from HK$0.06 to HK$1.2 and from a total of 60,000,000 shares to 3,000,000 shares accordingly.

During the year ended 31st March 2006, options totalling to 12,000,000 shares were granted on 3rd February 2006 to certain eligible employees. The estimated fair value of the options on that date is HK$256,000 and recognised in the consolidated income statement.

A summary of movements of share options held by the directors of the Company and the employees of the Group is as follows:

				Number of share options					
	Date of grant	Exercisable period	Subscription price per share HK$	Outstanding at 1.4.2004	Granted during the year	Outstanding at 31.3.2005	Granted during the year	Exercise during the year	Outstanding at 31.3.2006
Directors	16.1.2004	16.1.2004 to 15.1.2009	0.06/1.20*	3,000,000*	–	3,000,000*	–	–	3,000,000*
Employees	3.2.2006	3.2.2006 to 2.2.2011	0.244	–	–	–	12,000,000	(12,000,000)	–
				3,000,000	–	3,000,000	12,000,000	(12,000,000)	3,000,000

* These share options were held by the relevant directors as beneficial owners.

In respect of the share options exercised during the year, the weighted average share price at the date of exercise is HK$0.219.

30. SHARE-BASED PAYMENT TRANSACTIONS (continued)

The fair value of the share options granted during the year was calculated using The Black-Scholes option pricing model. The inputs into the model were as follows:

	2006
Share price per share at grant date	**HK$0.244**
Exercise price	**HK$0.244**
Expected volatility	**79.59%**
Weighted average expected life	**1 month**
Weighted average Hong Kong Monetary Exchange Fund Bills and Notes	**3.43%**
Expected dividend yield	**0%**

Expected volatility was determined by using the historical volatility of the Company's share price over past year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

31. BALANCE SHEET OF THE COMPANY

	Note	2006 HK$'000	2005 HK$'000
Non-current asset			
Interests in subsidiaries		–	502,145
Current assets			
Other receivables		166	72
Amounts due from subsidiaries		481,483	–
Tax recoverable		300	–
Bank balances and cash		30,267	3,644
		512,216	3,716
Current liabilities			
Other payables		1,869	1,168
Unsecured short-term loan		12,004	–
Amount due to a subsidiary		871	–
Tax payable		–	1,495
Bank overdrafts		762	–
		15,506	2,663
Net current assets		496,710	1,053
		496,710	503,198
Capital and reserves			
Share capital		135,411	40,211
Reserves	*(a)*	361,299	462,084
		496,710	502,295
Non-current liability			
Amount due to a subsidiary		–	903
		496,710	503,198

31. BALANCE SHEET OF THE COMPANY (continued)

Note:

(a) Reserves

	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000 (note i)	Distributable reserve HK$'000 (note ii)	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st April 2004	302,795	485	39,521	595,191	–	(509,711)	428,281
Issue of shares	19,080	–	–	–	–	–	19,080
Expenses incurred in connection with the issue of shares	(762)	–	–	–	–	–	(762)
Profit for the year	–	–	–	–	–	15,485	15,485
At 31st March 2005	321,113	485	39,521	595,191	–	(494,226)	462,084
Issue of shares	28,008	–	–	–	–	–	28,008
Expenses incurred in connection with the issue of shares	(803)	–	–	–	–	(2,400)	(3,203)
Recognition of equity-settled share-based payment expenses	–	–	–	–	256	–	256
Release of share option reserve on exercise of share options	256	–	–	–	(256)	–	–
Loss for the year	–	–	–	–	–	(125,846)	(125,846)
At 31st March 2006	**348,574**	**485**	**39,521**	**595,191**	**–**	**(622,472)**	**361,299**

Notes:

(i) The contributed surplus of the Company represents the difference between the nominal value of the share capital issued by the Company and the underlying net tangible asset value net of pre-acquisition dividends and realised pre-acquisition investment property revaluation reserve of subsidiaries which were acquired by the Company pursuant to the group reorganisation in 1992.

(ii) The distributable reserve of the Group and the Company represents the aggregate of the credit arising from the following:

(a) the reduction of nominal value of the shares from HK$0.10 each to HK$0.002 each by cancelling HK$0.098 paid up on each issued share and the cancellation of share premium account as at 31st October 1998, after a transfer of HK$607,193,000 towards the elimination of the accumulated losses of the Company at 31st October 1998; and

(b) capital reduction during the year ended 31st March 2002.

32. OPERATING LEASE COMMITMENTS

The Group as lessee

	2006 HK$'000	2005 HK$'000
Minimum lease payments paid under operating leases in respect of rented premises during the year	**458**	692

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises and staff quarters which fall due as follows:

	2006 HK$'000	2005 HK$'000
Within one year	**319**	256
In the second to fifth year inclusive	**162**	404
	481	660

Leases are negotiated for an average term of three years and rentals are fixed for an average term of three years.

33. CAPITAL COMMITMENTS

	THE GROUP	
	2006 HK$'000	2005 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of a subsidiary	**3,482**	–
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of an investment property	**2,641**	–

34. RETIREMENT BENEFIT SCHEME

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes a certain percentage of relevant payroll costs to the scheme.

The employees of a subsidiary of the Group in the PRC are member of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiary is required to contribute a certain percentage of payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

35. RELATED PARTIES DISCLOSURES

Compensation of key management personnel

The remuneration of directors as key management of the Group during the year was as follow:

	2006	2005
	HK$'000	*HK$'000*
Short-term benefits	**3,460**	3,803
Post-employment benefits	**122**	136
	3,582	3,939

The remuneration of directors is decided by the directors, who are authorised by the shareholders, having regard to the performance of the individuals and market trends.

36. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the following significant events took place:

(1) On 10th April 2006, the Group entered into and completed a sale and purchase agreement with an independent third party for the acquisition of the entire issued share capital in Leapfly Limited ("Leapfly") at a cash consideration of HK$7,000,000. Leapfly is an investment holding company.

Leapfly holds a conditional call option to acquire 50% of the registered capital of RMB15,000,000 of Tianjin Kai Shing Automobile Service Co. Ltd ("Kai Shing") from an independent third party at a cash consideration of RMB7,500,000 (equivalent to HK$7,140,000). Kai Shing is engaged in the motor cars repairs and maintenance services and selling of car components.

Pursuant to the relevant call option deed, the call option granted to Leapfly is to be exercisable at any time during the period of 2 years commencing on 1st September 2008 (the "Option Period"). The option would lapse if it has not been exercised during the Option Period.

(2) Pursuant to the special resolutions passed on 11th May 2006, the Company underwent a capital reorganisation which included the followings:

(a) the nominal value of all the issued shares be reduced from HK$0.20 each to HK$0.10 each by (i) canceling HK$0.10 paid up on each issued shares by way of reduction of capital; (ii) canceling the unissued shares in the authorised share capital of the Company and (iii) increasing the authorised share capital of the Company by creating new shares of HK$0.10 each equivalent to the same number of the unissued share cancelled under (ii);

(b) the credit arising from such reduction will be applied towards cancelling the accumulated losses of the Company in the amount of HK$485,000,000 as shown in the unaudited financial statements of the Company for the six months ended 30th September 2005; and

(c) the sums standing to the credit of the share premium account of the Company in the amount of HK$327,000,000 as shown in the unaudited financial statements of the Company for the six months ended 30th September 2005 will be cancelled and the credit arising thereupon be applied to cancel the balance of the accumulated losses of the Company.

(3) On 24th March 2006, the Group entered into a sale and purchase agreement with a third party for the acquisition of the entire share capital in Startech Business Limited ("Startech") and a related shareholder's loan, at a cash consideration of HK$3,882,000. Startech is engaged in property investment. The transaction was completed on 3rd May 2006.

36. POST BALANCE SHEET EVENTS (continued)

(4) On 30th December 2005, the Company entered into a placing agreement with a placing agent on a best effort basis for the placing of 750,000,000 shares at a price of HK$0.20 per share. The placing price represents no discount or premium to the closing price of HK$0.20 per share on 29th December 2005 as quoted on the Stock Exchange.

The placing of 150,000,000 shares out of the 750,000,000 placing shares has been completed during the year. The remaining 600,000,000 shares have been completed subsequent to the balance sheet date. The issued and fully paid share capital has been increased by HK$120 million.

(5) On 21st April 2006, the Group entered into a sale and purchase agreement with Yearwise Finance Limited, an independent third party, for the acquisition of a convertible note for a cash consideration of HK$100,000,000. The convertible note is convertible into shares in HMIL.

Upon completion of the exercise of the convertible note to convert into HMIL shares, the indirect shareholding of the Company in HMIL will be approximately in aggregate 50.64% of the issued share capital of HMIL as enlarged by the new HMIL shares to be issued upon the conversion of the convertible note. As the convertible note is currently exercisable and convertible, such potential voting rights held by the Group makes HMIL become a subsidiary of the Group after the balance sheet date.

On 8th June 2006, the Group entered into another sale and purchase agreement with Heritage International Holdings Limited, an independent third party, to further acquire 53,800,000 shares of HMIL for a consideration of HK$11,000,000 to be satisfied by the issue of the shares representing approximately 4.30% of the issued share capital of the Company as enlarged by the issue of the shares. This acquisition was completed on 23rd June 2006 and Heritage International Holdings Limited then became a substantial shareholder of the Company.

(6) On 17th July 2006, the Group entered into a sale and purchase agreement with a third party for the disposal of 55% interest in Mega Victory Limited, a subsidiary of the Company established subsequent to the balance sheet date to hold the entire interests in two subsidiaries of the Company, at a consideration of HK$128,000,000. The principal assets of these three subsidiaries as at 31st March 2006 are the trade and other receivables of HK$13,860,000 and HK$220,596,000, respectively, of which an impairment loss of HK$13,860,000 and HK$89,296,000, respectively, has been recognised as at that date. As described in note 23, the impairment loss of HK$84,596,000 was determined with reference to the consideration receivable from this disposal transaction. The transaction has not been completed at the date of approval of these consolidated financial statements.

As there is no audited financial information of Leapfly, Startech and HMIL upto the date of approval of these consolidated financial statements, in the opinion of the directors of the Company, it is impracticable to quantify the amounts recognised at the date of acquisition for each class of assets, liabilities and contingent liabilities of those companies acquired subsequent to balance sheet date.

37. PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ registration	Nominal value of issued and fully paid ordinary share capital	Proportion of nominal value of issued share capital held by the Company Directly %	Indirectly %	Principal activities
Asia Hunter Global Limited	BVI	US$1	100	–	Investment holding
Eastern Sunny Limited	Hong Kong	HK$2	–	100	Provision of management services
Easy Step Limited	Hong Kong	HK$1	–	100	Property investment
Equity Spin Investments Limited	BVI	US$1	100	–	Investment holding
Far Hero Limited	Hong Kong	HK$2	–	100	Property investment
Freeman International Limited	Hong Kong	HK$1	–	100	Property investment
Hansom Finance Limited	Hong Kong	HK$2	–	100	Provision of finance
Longsun Ltd.	BVI	US$1	100	–	Investment holding
Peking Bay Assets Limited	BVI	US$1	–	100	Investment holding
Hansom Eastern International Trading (Group) Limited	Hong Kong	HK$1,000	–	100	Sale of goods
Smart Jump Corporation	BVI	US$1	–	100	Trading in securities
Win Advance Development Limited	Hong Kong	HK$2	–	100	Property investment
Wise Sky Ltd.	BVI	US$1	100	–	Investment holding
恒盛東方進出口(深圳)有限公司	PRC	HK$1,000,000	–	100	Sale of goods

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.