

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2006

1. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issuance on 28th December, 2006.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2005/2006 annual financial statements. Accordingly, this interim financial report should be read in conjunction with the 2005/2006 annual financial statements.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2005/2006 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information relating to the financial year ended 31st March, 2006 that is included in the interim financial report as being previously reported information does not constitute the company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31st March, 2006 are available from the company's registered office. The auditors have expressed a qualified opinion on those financial statements in their report dated 27th July, 2006.

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

The Group has not early applied the following new standards, amendments or interpretations that have been issued 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 financial statements of the Group:

HKAS 1 (Amendment)	Presentation of financial statements: capital disclosures ¹
HKFRS 7	Financial instruments: disclosures ¹
HK(IFRIC)-Int 8	Scope of HKFRS 2 ²
HK(IFRIC)-Int 9	Reassessment of embedded derivatives ³

¹ Effective for annual periods beginning on or after 1st January, 2007.

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

³ Effective for annual periods beginning on or after 1st June, 2006.

Initial assessment has indicated that the adoption of these HKFRSs would not have a significant impact on the company's financial statement in the year of initial application. The company will be continuing with the assessment of the impact of these HKFRSs and other significant changes may be identified as a result.

3. TURNOVER

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

	For the six months ended 30th September,	
	2006	2005
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Sales of securities	78,530	608
Sales of goods	-	23,355
Interest income from provision of finance	14,136	14,008
Dividend and interest income from investments in securities	3,320	-
Rental income	255	-
	96,241	37,971

4. SEGMENT INFORMATION

The Group is organised into five (1.4.2005 to 30.9.2005: five) main operating segments: trading of goods, provision of finance, trading of securities, property holding and investment and investment activities.

These divisions are the bases on which the Group reports its primary segment information.

4. SEGMENT INFORMATION (Continued)

Segment information about these businesses is presented below:

Business Segments

	For the six months ended 30th September, 2006 (Unaudited)					
	Trading of	Provision of	Trading of	Property	Investment	Consolidated
	goods	finance	securities	holding and	activities	
	HK\$'000	HK\$'000	HK\$'000	investment	HK\$'000	HK\$'000
				HK\$'000		
TURNOVER	-	14,136	78,530	255	3,320	96,241
SEGMENT RESULTS	(25)	(104,453)	(45,394)	480	51,853	(97,539)
Unallocated corporate expenses						(8,227)
Loss from operations						(105,766)
Finance costs						(1,969)
Loss before taxation						(107,735)
Taxation						2,384
Net loss for the period						(105,351)

4. SEGMENT INFORMATION (Continued)

Business Segments (Continued)

	For the six months ended 30th September, 2005 (Unaudited)					
	Trading of	Provision of	Trading of	Property holding and	Investment	Consolidated
	goods	finance	securities	investment	activities	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER	23,355	14,008	608	-	-	37,971
SEGMENT RESULTS	(888)	14,071	(32)	(83)	(6,084)	6,984
Unallocated corporate expenses						(6,688)
Profit from operations						296
Finance costs						(13)
Share of results of an associate						400
Profit before taxation						683
Taxation						(1,229)
Net loss for the period						(546)

5. (LOSS)/PROFIT FROM OPERATIONS

	For the six months ended 30th September,	
	2006	2005
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss)/Profit from operations has been arrived at after charging/(crediting):		
Gain on disposal of subsidiary	(59,836)	-
Loss on disposal of subsidiary	3,920	-
Net gain on disposal of subsidiaries	(55,916)	-
Negative goodwill arising from acquisition of a subsidiary	(893)	-
Loss on changes in fair value of investments held for trading	26,128	52
Depreciation of property, plant and equipment	353	164
Share-based payment	3,102	-
	_____	_____

6. TAXATION

Tax credit in the period represents overprovision of Hong Kong Profits Tax in previous years (1.4.2005 to 30.9.2005: tax charge represents Hong Kong Profits Tax calculated at 17.5% of the estimated assessable profit for the period).

No deferred tax asset has been recognised in respect of tax losses due to the unpredictability of future profit streams. At 30th September, 2006, the Group has unused tax losses of HK\$76,179,000 (31.3.2006: HK\$34,141,000). The tax losses may be carried forward indefinitely.

7. DIVIDEND

No dividend was paid by the Company during the period (1.4.2005 to 30.9.2005: nil).

8. LOSS PER SHARE

The calculation of the basic loss per share for the period is based on the net loss for the period of HK\$105,351,000 (1.4.2005 to 30.9.2005: loss of HK\$546,000) and on the weighted average of 1,185,894,453 (1.4.2005 to 30.9.2005: 205,755,656, adjusted for the effect of share consolidation in 2005) ordinary shares in issue.

Diluted Earnings Per Share

Diluted loss per share has not been presented for the periods ended 30th September, 2006 and 30th September, 2005 as the exercise of the Company's outstanding share options would result in a reduction in loss per share.

9. INVESTMENT PROPERTIES

	30.9.2006 <i>HK\$'000</i> (Unaudited)	31.3.2006 <i>HK\$'000</i> (Audited)
Fair Value		
At 1st April	3,000	5,700
Additions	33,111	-
	36,111	5,700
Increase/(decrease) in fair value recognised in the consolidated income statement	559	(2,700)
At 30th September/31st March	36,670	3,000

The fair values of the Group's investment properties at 30th September, 2006 have been arrived at on the basis of valuation carried out on that date by the directors. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment with a carrying value of HK\$1,186,000 (1.4.2005 to 30.9.2005: HK\$535,000).

11. AVAILABLE-FOR-SALE INVESTMENTS

	30.9.2006 HK\$'000 (Unaudited)	31.3.2006 HK\$'000 (Audited)
Unlisted overseas equity securities	13,000	7,870
Listed securities in Hong Kong	15,840	60,000
Convertible note (<i>note</i>)	106,396	–
	135,236	67,870

Note: The balance at 30th September, 2006 represented the fair value of certain convertible note issued by Hennabun Management International Limited (“HMIL”) and held by the Group. The Group has the right to convert the note into shares in HMIL as soon as practicable subject to all necessary approvals from the regulatory authorities being obtained, to the extent required.

The note entitles the Group to receive interest at 8% per annum and the interest income earned by the Group during the period amounting to approximately HK\$3,158,000.

The note has attached an embedded financial derivative liability amounting to approximately HK\$3,936,000 at 30th September, 2006.

The estimate of the fair value of the convertible note is based on the discounted cash flow techniques with estimated future cash flows arrived based on management’s best estimates with reference to the valuation report issued by RHL Appraisal Ltd. and the discount rate is a market related rate for a similar instrument at the balance sheet date. The interest rate used to determine the yield of the convertible note is 11.849% and the loss on changes in fair value of the embedded financial derivatives recognised in the consolidated income statement amounting to approximately HK\$1,872,000.

12. LOANS RECEIVABLE

	30.9.2006 HK\$'000 (Unaudited)	31.3.2006 HK\$'000 (Audited)
Floating rate loans receivable	336,232	236,954
Less: Impairment	(118,752)	-
	217,480	236,954
The loans receivable are repayable as follows:		
Within one year	217,480	124,054
More than one year, but not exceeding two years	-	112,900
More than two years, but not exceeding three years	-	-
	217,480	236,954
Less: Amount due within one year shown under current assets	(217,480)	(124,054)
Amount due over one year	-	112,900

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

The Group negotiates credit period with borrowers according to the credit of individual borrower.

13. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 days to its trade customers. The following is an aged analysis of trade receivables at the reporting date:

	30.9.2006 HK\$'000 (Unaudited)	31.3.2006 HK\$'000 (Audited)
Trade receivables		
0-30 days	517	-
Over 30 days to 1 year	-	13,860
	517	13,860
Less: Impairment	-	(13,860)
	517	-
Deposits, prepayments and other receivables	82,705	221,662
Less: Impairment	-	(89,296)
	83,222	132,366

The deposits, prepayments and other receivables as at 31st March, 2006 included an amount of HK\$212,596,000 for the purchase of steel from a supplier in mainland China.

14. SHARE CAPITAL

		Number of ordinary shares	Amount HK\$ '000
Ordinary shares of HK\$0.01 each			
Authorised:			
Balance at 1st April, 2005 of HK\$0.01 each		200,000,000,000	2,000,000
Share consolidation	(a)	<u>(190,000,000,000)</u>	<u>-</u>
Balance at 31st March, 2006 of HK\$0.20 each		10,000,000,000	2,000,000
Capital reorganization of HK\$0.10 each	(g), (i)	<u>-</u>	<u>(1,000,000)</u>
Balance at 30th September, 2006 of HK\$0.10 each		<u>10,000,000,000</u>	<u>1,000,000</u>
Issued and fully paid ordinary shares:			
Balance at 1st April, 2005 of HK\$0.01 each		4,021,124,045	40,211
Share consolidation		<u>(3,820,067,843)</u>	<u>-</u>
Share of HK\$0.20 each subsequent to the share consolidation		201,056,202	40,211
Issue of shares through placing	(a), (b), (c), (d)	464,000,000	92,800
Issue of shares through share option	(e)	<u>12,000,000</u>	<u>2,400</u>
Balance at 31st March, 2006 of HK\$0.20 each		677,056,202	135,411
Issue of shares through placing	(f)	600,000,000	120,000
Consideration issue of shares	(h)	55,000,000	11,000
Capital reorganization of HK\$0.10 each	(g), (i)	-	(133,205)
Issue of shares through share option	(j)	<u>580,000</u>	<u>58</u>
Balance at 30th September, 2006 of HK\$0.10 each		<u>1,332,636,202</u>	<u>133,264</u>

14. SHARE CAPITAL (Continued)

The following changes in the share capital of the Company have taken place since 1st April, 2005:

- (a) 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. The net proceeds of the placement of HK\$10,438,000 was used for additional working capital of the Group.
- (b) 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. The net proceeds of the placement of HK\$29,038,000 was used for additional working capital of the Group.
- (c) 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. The net proceeds of the placement of HK\$48,276,000 was used for additional working capital of the Group.
- (d) 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.

14. SHARE CAPITAL (Continued)

- (e) On 13th February, 2006, certain eligible employees have exercised its share options totaling 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.
- (f) 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 of 150,000,000 shares out of 750,000,000 placing shares has been completed during the year end 31st March, 2006 as mentioned in Note (d). The remaining 300,000,000 and 300,000,000 shares have been completed on 24th April, 2006 and 22nd May, 2006 respectively. The issued and fully paid share capital has been increased by HK\$120 million.

- (g) Pursuant to the special resolutions passed on 11th May, 2006, the Company underwent a capital reorganisation which included the followings:
 - 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 HK0.10 each equivalent to the same number of the unissued share cancelled under (ii);
 - the credit arising from such reduction be applied towards canceling 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
 - 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 be cancelled and the credit arising thereupon be applied to cancel the balance of the accumulated losses of the Company.

14. SHARE CAPITAL (Continued)

- (h) On 8th June, 2006, Heritage and the Company entered into an agreement whereby the Company agreed to purchase and Heritage agreed to sell or procure the sale of the Sale Shares for a consideration of HK\$11,000,000 to be satisfied by the issue and allotment of 55,000,000 Consideration Shares at HK\$0.20 per Consideration Share.
- (i) Pursuant to the special resolutions passed on 11th May, 2006 as mentioned in Note (g) and with the sanction of an Order of the Grand Court of the Cayman Islands dated 18th August, 2006, the issued share capital of the Company was reduced from HK\$266,411,240.40 divided into 1,332,056,202 ordinary shares of HK\$0.20 each to HK\$133,205,620.20 divided into 1,332,056,202 ordinary shares of HK\$0.10 each (the "Capital Reorganisation").

Upon the Capital Reorganisation becoming effective, all of the authorised but unissued share capital of the Company (including the authorised but unissued share capital of the Company arising from the Capital Reorganisation) was cancelled and forthwith upon such cancellation, the authorised share capital of the Company was immediately increased to HK\$1,000 million by the creation of the requisite number of new shares of HK\$0.10 each. As at the date of the registration (21st August, 2006) of the Minute filed to the Companies Registry of the Cayman Islands, the authorised share capital of the Company is HK\$1,000 million divided into shares of HK\$0.10 each, of which 1,332,056,202 ordinary shares of HK\$0.10 each have been issued and are fully paid or credited as fully paid.

- (j) On 30th August, 2006, options were exercised to subscribe for 580,000 ordinary shares in the Company at a consideration of HK\$89,900 of which HK\$58,000 was credited to share capital and the balance of HK\$46,100 was credited to the share premium account and HK\$14,200 was debited to the share option reserve account respectively.

14. SHARE CAPITAL (Continued)

(k) Terms of unexpired and unexercised share options at balance sheet date:

Exercise period	Exercise price	30.9.2006 Number	30.9.2005 Number
16.1.2004 to 15.1.2009	HK\$1.20	3,000,000	3,000,000
8.9.2006 to 7.9.2011	HK\$0.155	<u>133,000,000</u>	<u>-</u>
		<u>136,000,000</u>	<u>3,000,000</u>

Each option entitles the holder to subscribe for one ordinary share in the Company.

15. SHARE OPTIONS

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

	Date of grant	Exercisable period	Subscription price per share	Number of share options			
				Outstanding at 30.9.2005	Granted during the period	Exercise during the period	Outstanding at 30.9.2006
Directors	16.1.2004	16.1.2004 to 15.1.2009	1.20	3,000,000	-	-	3,000,000*
Employees	25.8.2006	25.8.2006 to 24.8.2011	0.155	-	580,000	(580,000)	-
	8.9.2006	8.9.2006 to 7.9.2011	0.155	-	100,000,000	-	100,000,000
Business partners	8.9.2006	8.9.2006 to 7.9.2011	0.155	-	33,000,000	-	33,000,000
				<u>3,000,000</u>	<u>133,580,000</u>	<u>(580,000)</u>	<u>136,000,000</u>

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

16. ACQUISITION OF A SUBSIDIARY

On 24th March, 2006, the Group entered into a sale and purchase agreement with a third party for the acquisition of 100% equity interest in Startech Business Limited ("Startech") and a related shareholder's loan, at a cash consideration of HK\$3,882,000. This transaction has been accounted for using the purchase method of accounting. The principal activity of Startech is property investment. The transaction was completed on 3rd May, 2006.

The net assets acquired in the transaction were as follows:

	Fair value <i>HK\$'000</i>
Net assets acquired:	
Investment properties	8,868
Property, plant and equipment	1,045
Bank overdrafts	(29)
Mortgage loans	(5,109)
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	4,775
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Total consideration, satisfied by	
Cash	3,882
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Net cash outflow arising on acquisition:	
Bank overdraft acquired	29
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17. DISPOSAL OF SUBSIDIARIES

- (a) 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 ("Mega Victory"), a subsidiary of the Company established during the period to hold the entire interests in two subsidiaries of the Company, at a total consideration of HK\$128,000,000 which included HK\$859,200 for the Sale Shares and HK\$127,140,800 for the Sale Loan. The Group no longer has the power to govern the financial and operating policies of Mega Victory. Therefore, Mega Victory ceased to be accounted for as a subsidiary of the Company.

The net assets of Mega Victory at the date of disposal were as follows:

	<i>HK\$'000</i>
Net assets disposed of:	
Deposit paid	131,300
Bank balances and cash	1
Amount due to a shareholder	(59,065)
Other payable	(127,141)
Taxation payable	(38)
	<u>(54,943)</u>
Total consideration, satisfied by	
Cash	<u>859</u>
Net cash outflow arising on disposal of subsidiaries:	
Bank balances and cash disposed of	<u>1</u>

17. DISPOSAL OF SUBSIDIARIES (Continued)

- (b) On 22nd September, 2006, the Group entered into a sale and purchase agreement with a third party for the disposal of 100% interest in Peking Bay Assets Limited ("Peking Bay"), at a consideration of HK\$2,000,000.

The net assets of Peking Bay at the date of disposal were as follows:

	<i>HK\$'000</i>
Net assets disposed of:	
Available-for-sale investment	5,870
Other receivable	50
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	5,920
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Total consideration, satisfied by	
Loan receivables	2,000
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Net cash inflow/(outflow) arising on disposal of subsidiary:	
Bank balances and cash disposed of	-
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18. POST BALANCE SHEET EVENTS

- (a) On 18th October, 2006, the Group entered into a sale and purchase agreement with a third party for the acquisition of the entire share capital in Cinergy Holdings Limited ("Cinergy") and the shareholder's loan, at a consideration of 128,402,593 and 71,597,407 Consolidation Shares of the Company respectively. Cinergy is principally engaged in general and life insurance business and related investment linked financial products. The transaction was completed in November 2006.
- (b) On 18th October, 2006, the Company entered into a placing agreement with a placing agent on a fully underwritten basis for the placing of 66,000,000 new shares at a price of HK\$0.25 per share. The placing was completed in November 2006.
- (c) On 20th November, 2006, the Company entered into a placing agreement with a placing agent for the placing of up to a principal amount of HK\$300,000,000 of which HK\$100,000,000 principal amount of the convertible notes will be placed on a fully underwritten basis; and up to HK\$200,000,000 principal amount of the convertible note will be placed on a best effort basis. The initial conversion price is HK\$0.25 per share and the maturity is the eighteenth month following the date of issue of the convertible notes. The placing has not been completed at the date of issuance of this interim report.
- (d) On 27th November, 2006, the Group entered into a sale and purchase agreement with a third party for the acquisition of a property for a cash consideration of HK\$33,766,040. The transaction has not been completed at the date of issuance of this interim report.

As there is no audited financial information of Cinergy up to the date of issuance of this interim report, 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 that company acquired subsequent to balance sheet date.