

Notes to Financial Statements

31 March 2006

1. GENERAL

The Company is a limited company incorporated in Bermuda on 15 April 2003 as an exempted company.

The Company is principally engaged in investing in listed and unlisted enterprises established in Hong Kong and in the People's Republic of China.

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 2 April 2004.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In 2005, the Hong Kong Institute of Certified Public Accountants has issued a number of new and revised, Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations (collectively referred to as the "HKFRSs") that are applicable to companies with accounting periods beginning on or after 1 January 2005. The Company has adopted the new HKFRSs in the financial statements for the year ended 31 March 2006 as they are relevant to its operations. The applicable HKFRSs are set out below:

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 17	Leases
HKAS 18	Revenues
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 39	Financial Instruments: Recognition and Measurement

The adoption of new/revised HKASs 1, 7, 8, 10, 12, 17, 18, 19, 21, 24, 33 and 36 do not result in substantial changes to the Company's accounting policies. In summary:

- HKAS 1 has affected the presentation and disclosure of the financial statements.
- HKAS 7, 8, 10, 12, 17, 18, 19, 21, 33 and 36 have no material effect on the Company's policies.
- HKAS 24 has affected the identification of related parties and the other related party disclosure note.

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2. **ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS** **(continued)**

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

(i) Investments in equity and debt securities

In previous years, the Company’s investments in equity securities held for long term purposes were classified as investment securities and stated at cost less provision; the Company’s investments in debt securities were presented as held to maturity; and those investments held for trading or non-long term purposes were stated at fair value with changes in fair value recognized in the income statement.

Upon the adoption of HKAS 39, the Company has classified all debt securities being held to maturity and unquoted equity investments as available-for-sale investments under current or non-current assets and stated at their carrying value less any impairment losses. The investments held for trading or non-long term purposes are classified as investments at fair value through profit or loss. Changes in the fair value of the available-for-sale investments are recognized in equity, unless there is objective evidence that an individual investment has been impaired. Changes in the fair value of the investments at fair value through profit or loss are recognized in profit and loss.

(ii) Transitional provisions

The adoption of HKAS 39 has no impact on the Company’s net assets. In accordance with the transitional provisions of HKAS 39, the comparative amounts are not restated.

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2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(ii) Transitional provisions

The cumulative effects of the application of the new HKFRSs on 1 January 2005 are summarised below:

	As at 31/3/2005 HK\$'000	Adjustments HK\$000	As at 1/4/2005 HK\$'000
Impact of HKAS 39:			
Investment securities	19,825	(19,825)	—
Available-for-sale investments	—	19,825	19,825
Trading securities	11,542	(11,542)	—
Investments at fair value through profit or loss	—	11,542	11,542
Total effects on assets	31,367	—	31,367

The Company has not chosen for early adoption of the following new Standards or Interpretations that have been issued but are not yet effective. The Directors are of the opinion that the adoption of such Standards or Interpretations will not result in substantial changes to the Company's accounting policies.

	Effective for accounting periods on or after
HKAS 1 (Amendment)	1 January 2007
HKAS 19 (Amendment)	1 January 2006
HKAS 39 (Amendment)	1 January 2006
	intragroup transactions
HKAS 39 (Amendment)	1 January 2006
HKAS 39 AND HKFRS 4 (Amendment)	1 January 2006
	Financial guarantee contracts
HKFRS 7	1 January 2007
	Financial instruments: Disclosures
HKFRS — Int 4	1 January 2006
	Determining whether an arrangement contains a lease

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of financial instruments and in accordance with HKFRSs, accounting principles generally accepted in Hong Kong, and the disclosure requirements of the Hong Kong Companies Ordinance.

The financial statements are presented in Hong Kong dollars, the currency in which the majority of the Company's transactions are dominated.

(b) Investments in securities

For the year ended 31 March 2005:

Investment securities

Investment securities comprise held-to-maturity debt securities and equity securities that do not have a quoted market value in an active market. The securities are stated at cost less any impairment loss that is other than temporary.

The carrying amount of individual investment is reviewed at each balance sheet date to assess whether the fair value has declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities is reduced to its fair value. The amount of the reduction is recognised as an expense in the income statement.

Trading securities

Trading securities are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of trading securities are recognised in the income statement. Profits or losses on disposal of trading securities, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the income statement as they arise.

For the year ended 31 March 2006 and onwards:

Financial instruments

The Company classifies its financial assets in the following categories: investments at fair value through profit or loss, loans and receivables and available-for-sale investments. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Investments in securities (continued)

Investments at fair value through profit or loss

Investments classified as held for trading are included in the category "investments at fair value through profit or loss". Investments are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and receivables, prepayments, deposits and other receivables) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the assets' 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.

Available-for-sale investments

Available-for-sale investments are those non-derivative investments in unlisted equity securities that are designated as available-for-sale or are not classified in any of the other two categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Investments in securities (continued)

Financial liabilities

Financial liabilities including trade and payables, accruals and other payables are subsequently measured at amortised cost, using the effective interest rate method.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis and option pricing models.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale investments, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement — is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(c) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts that are repayable on demand and that form an integral part of the Company's cash management.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(e) Taxation

Income tax expense represents the sum of the current tax and deferred tax. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(f) Foreign currencies

Investments included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"), which is Hong Kong dollars, the Company's functional and presentation currency.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in the income statement in the year in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the financials statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in income statement for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

Notes to Financial Statements

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Foreign currencies (continued)

The results and financial position of all the Company's investments (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

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

(g) Revenue recognition

Profits on disposal of securities are recognised upon the completion of securities sale contract.

Interest income is recognised on a time proportion basis.

Dividend income from listed and unlisted investments is recognised when the shareholders' right to receive payment has been established.

Unrealised gain on investments is recognised when the fair value of the investments is above the carrying value of the investments at the balance sheet date.

(h) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

(i) Retirement benefits costs

The Company contributes to a defined contribution retirement benefit scheme pursuant to the Mandatory Provident Fund Schemes Ordinance (the "MPF Scheme") which is available to all employees. Contributions to the scheme by the Company and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the income statement represents contributions payable by the Company to the scheme.

Notes to Financial Statements

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other company in making financial and operating decisions or vice versa. Parties are also considered to be related if they are subject to common control or common significant influence.

Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Company where those parties are individuals and post-employment benefit plans which are for the benefit of employees of the Company or any entity that is a related party of the Company.

4. REVENUES

	2006	2005
	HK\$'000	HK\$'000
REVENUE		
Net unrealised holding (loss)/gain on investments at fair value through profit or loss	(1,207)	1,917
Net realised gain on disposal on investments at fair value through profit or loss	5,778	2,313
Dividend income from listed securities	451	507
Dividend income from unlisted securities	377	—
Interest received from notes receivable	687	710
	6,086	5,447
OTHER REVENUES		
Bank interest income	475	47
Other interest income	61	20
	536	67
TOTAL REVENUES	6,622	5,514

During the year, all the Company's investment activities were carried out in Hong Kong, therefore no analysis of the Company's revenue and contribution to operating profit for the year set out by principal activities and geographical market is provided.

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5. PROFIT BEFORE TAXATION

The profit before taxation is arrived at after charging:

	2006	2005
	HK\$'000	HK\$'000
Auditors' remuneration		
— Current year	150	180
— Over-provision in prior year	(60)	—
	90	180
Investment manager fee	400	400
Staff costs (excluding directors' remuneration)	—	—
Operating lease payments	314	157

6. TAXATION

(a) Taxation in the income statement represents:

	2006	2005
	HK\$'000	HK\$'000
Hong Kong profits tax		
— Provision for the year	503	496

Provision for Hong Kong profits tax is provided at the rate of 17.5% on the estimated assessable profits for the year (2005: HK\$496,000).

(b) Taxation in the balance sheet represents:

	2006	2005
	HK\$'000	HK\$'000
Balance brought forward	496	—
Tax paid during the year	(663)	—
Provision for current year	503	496
Balance carried forward	336	496

Notes to Financial Statements

31 March 2006

6. TAXATION (continued)

(c) The Company did not have any material unprovided deferred taxation as at 31 March 2006.

(d) Reconciliation between tax expenses and accounting profit is as follows:

	2006	2005
	HK\$'000	HK\$'000
Profits before taxation	4,178	3,386
Notional tax on profit before taxation	731	593
Tax effect of non-taxable income	(228)	(97)
Total income tax expenses	503	496

7. DIRECTORS' EMOLUMENTS

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance, is as follows:

	2006	2005
	HK\$'000	HK\$'000
Fees to independent non-executive Directors	37	30
Other emoluments to executive Directors		
— Salaries allowances and benefits in kind	660	579
— Retirement benefit scheme contributions	32	29
	729	638

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7. DIRECTORS' EMOLUMENTS (continued)

The emoluments of each Director, on a named basis, for the year ended 31 March 2006 are set out below:

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Executive Directors				
Chou Ping-Chun, Benji	—	240	12	252
Fong Chi Wah (resigned on 1 April 2006)	—	220	11	231
Chung Wing Han Wendy	—	10	1	11
Lee Wai Tsang, Rosa	—	180	7	187
Lee Tak Lun	—	10	1	11
Independent Non-executive Directors				
Lu Fan	17	—	—	17
Yao Cho Fai Andrew	10	—	—	10
Zhang Hongru	10	—	—	10
	37	660	32	729

The five highest paid individuals in the Company for the year under review are reflected in the analysis presented above.

The emoluments of each Director, on a named basis, for the year ended 31 March 2005 are set out below:

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Executive Directors				
Chou Ping-Chun, Benji	—	239	12	251
Fong Chi Wah (resigned on 1 April 2006)	—	220	11	231
Chung Wing Han Wendy	—	10	1	11
Lee Wai Tsang, Rosa	—	110	5	115
Independent Non-executive Directors				
Lu Fan	10	—	—	10
Yao Cho Fai Andrew	10	—	—	10
Zhang Hongru	10	—	—	10
	30	579	29	638

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8. AVAILABLE-FOR-SALE INVESTMENTS

	2006 HK\$'000	2005 HK\$'000
Investment securities, at cost:		
Convertible notes receivable, unlisted (<i>Note a</i>)	5,000	—
Convertible redeemable preference shares, unlisted shares (<i>Note b</i>)	9,987	—
Equity securities, unlisted shares (<i>Note c</i>)	12,259	—
	27,246	—
Classified under:		
Current assets	5,000	—
Non-current assets	22,246	—
	27,246	—

(a) Convertible notes receivable

The convertible notes receivable are dated debt securities that provide the holders with the right to convert the outstanding principal amount of the debt securities into shares of the issuers at the specified dates. The intention of the Directors is to exercise the option to convert the notes receivable into shares in the invested companies.

The convertible notes receivable is interest bearing on the principal amount at the rates of 0.8% per month.

The Directors consider the unlisted convertible notes receivable are worth at least their book cost.

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8. AVAILABLE-FOR-SALE INVESTMENTS (continued)

(a) Convertible notes receivable (continued)

Particulars of the convertible notes receivable are as follows:

2006

Name of Issuer	Place of incorporation	Nature of business	Principal amount HK\$'000	Maturity date	% of total assets of the Company
Fanwo Electronic (BVI) Company Limited	The British Virgin Islands	Computer networking system provider	5,000	30 Sep 2006	8.4%

The following debt securities were classified as investment securities in prior years.

2005

Name of Issuer	Place of incorporation	Nature of business	Principal amount HK\$'000	Maturity date	% of total assets of the Company
Fanwo Electronic (BVI) Company Limited	The British Virgin Islands	Computer networking system provider	5,000	31 Dec 2005	8.5%

A brief description of the issuer of the notes receivable is as follows:

Fanwo Electronic (BVI) Company Limited ("Fanwo (BVI)")

Fanwo (BVI) is an investment holding company which is currently under group restructuring. Upon completion of restructuring, Fanwo (BVI) will acquire a wholly foreign-owned-enterprise in the Peoples' Republic of China ("PRC"), namely Shenzhen Fanwo Electronic Co., Ltd. ("Shenzhen Fanwo"). Shenzhen Fanwo is a specialist in (i) the development of communication hardware/software and computer networking systems integration and (ii) the manufacturing and selling of networking equipment systems, communication command and dispatch systems.

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8. AVAILABLE-FOR-SALE INVESTMENTS (continued)

(b) Convertible redeemable preference shares ("CRPS")

The CRPS are dated debt securities that provide the holders with the right to convert the outstanding principal amount of the debt securities into shares of the issuers at the specified dates. The intention of the Directors is to exercise the option to convert the CRPS into shares in the invested company. The CRPS are non-interest bearing.

Having regard to the financial position of the issuer, the Directors consider that the unlisted CRPS are worth at least their book cost. Particulars of the CRPS are as follows:

2006

Name of Issuer	Place of incorporation	Nature of business	Principal amount	Maturity date	% of total assets of the Company
			HK\$'000		
Huishan Dairy Holdings Limited	The Cayman Islands	Production of dairy products	9,987	5 Feb 2008	16.8%

The following equity securities were classified as investments securities in prior years.

2005

Name of Issuer	Place of incorporation	Nature of business	Principal amount	Maturity date	% of total assets of the Company
			HK\$'000		
Huishan Dairy Holdings Limited	The Cayman Islands	Production of dairy products	9,987	5 Feb 2008	17.0%

A brief description of the issuer of the CRPS is as follows:

Huishan Dairy Holdings Limited

The issuer is an investment holding company which invests in a dairy production company, Shenyang Dairy Company Limited ("Shenyang Dairy"), in the PRC. Shenyang Dairy is one of the leading dairy product manufacturers in the PRC. It is principally engaged in the business of cattle raising, cattle breeding, dairy products processing and sales of dairy products through its well-established selling and distribution channels. The dairy products of Shenyang Dairy are traded under the brand name "Sunny Hills". According to a survey conducted by AC Nielsen, Shenyang Dairy ranks in the top 5 position in the PRC in terms of sales revenue of liquid milk and dairy products.

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8. AVAILABLE-FOR-SALE INVESTMENTS (continued)

(c) Equity securities

The equity securities represent investment in unlisted equity shares issued by private enterprises in the PRC.

There is no active market for these equity securities as the companies are privately held. The fair value of these equity securities are determined firstly by reference to the investment considerations, which were negotiated at arm's length between the Directors and the investee companies. In addition, the Directors have been apprised with the development of the investee companies of the future growth potential and the prospective growth of the value of the shares. On account of such analysis, the Directors consider that there have not been any material changes to the equity securities that would lead to a change in the fair value of these available-for-sale investments from the dates of their acquisition to 31 March 2006. There is therefore no revaluation difference to be recognised in these financial statements and no impairment provision was required to be made as at 31 March 2006.

Particulars of the equity securities are as follows:

Name of issued	Nature of Business	No. of shares holding	% of interest held	% of total assets of the Company		Net asset attributable to the Company
				Cost	Company	HK\$'000
Tianjin Yishang Friendship Holding Company Limited	Operation of department stores and home appliance retail shops	8,712,000	3.9	9,434 (2005: N/A)	15.8%	8,161
寧波凌日表面工程有限公司	Designing, developing and manufacturing a premium and environmental friendly metal	3,000,000	29.5	2,825 (2005: N/A)	4.7%	1,874
				12,259		

Note: Notwithstanding the fact that the Company holds 29.5% interest in 寧波凌日表面工程有限公司, on account that the Company is not able to exert significant influence over the affairs of 寧波凌日表面工程有限公司, it is not treated as an associated company of the Company. The investment in 寧波凌日表面工程有限公司 is treated as an investment in a non-current available-for-sale investment.

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8. AVAILABLE-FOR-SALE INVESTMENTS (continued)

(c) Equity securities (continued)

A brief description of the business information of the equity securities is as follows:

Tianjin Yishang Friendship Holdings Co., Ltd ("Tianjin Yishang")

Tianjin Yishang is a sino-foreign enterprise incorporated in the PRC on 6 January 2006 under a re-organisation whereby the shares of Tianjin Yishang Development Company Limited, a stated-owned enterprise in the PRC, were injected into Tianjin Yishang. The business activities of Tianjin Yishang and its subsidiaries and branches are to operate department stores and home appliance retail shops in the PRC.

Tianjin Yishang is under preparation for an initial public offering of its shares.

寧波凌日表面工程有限公司 ("寧波凌日")

寧波凌日 is a privately held company incorporated in the PRC on 4 September 2000. 寧波凌日 carries on the business of designing, developing, and manufacturing a premium and environmental friendly metal for wiring and electrical conductor components. It holds two patents for the design of the components. The products of 寧波凌日 are currently in their development phase. The company estimates that full production will begin in 2006.

9. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2006 HK\$'000	2005 HK\$'000
Equity securities listed in Hong Kong, at fair value	9,176	—

Particulars of the trading securities are as follows:

2006

Name of invested company	Place of incorporation	Number of shares held as at 31/3/2006	% of interest	Addition during the year HK\$'000	Market value as at 31/3/2006 HK\$'000	Unrealised loss arising on revaluation HK\$'000	% of total assets of the Company	Net assets attributable to the Company HK\$'000
Chevalier International Holdings Limited	Bermuda	500,000	0.2%	—	4,075	(475)	6.8%	6,545
China Petroleum & Chemical Corporation	The People's Republic of China	500,000	Less than 0.1%	9,346	2,250	(5)	3.8%	1,385

Notes to Financial Statements

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9. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

2006 (continued)

Name of invested company	Place of incorporation	Number of shares held as at 31/3/2006	% of interest	Addition during the year	Market value as at 31/3/2006	Unrealised loss arising on revaluation	% of total assets of the Company	Net assets attributable to the Company
Qin Jia Yuan Media Services Company Limited	Cayman Islands	698,000	0.2%	5,194	1,413	(533)	2.4%	647
Van Shung Chong Holdings Limited	Bermuda	1,712,000	0.2%	—	1,438	(194)	2.4%	3,473
				14,540	9,176	(1,207)		

The following equity securities listed in Hong Kong were classified as trading securities in prior year.

2005

Name of invested company	Place of incorporation	Number of shares held as at 31/3/2005	% of interest	Addition during the year	Market value as at 31/3/2005	Unrealised gain/(loss) arising on revaluation	% of total assets of the Company	Net assets attributable to the Company
Chevalier International Holdings Limited	Bermuda	500,000	0.2%	2,505	4,550	2,045	7.8%	4,558
China Life Insurance Company Limited	The People's Republic of China	243,000	Less than 0.1%	1,388	1,264	(124)	2.2%	604
Qin Jia Yuan Media Services Company Limited	Cayman Islands	2,450,000	0.8%	3,215	3,748	533	6.4%	1,588
Van Shung Chong Holdings Limited	Bermuda	2,000,000	0.5%	2,517	1,980	(537)	3.4%	3,748
				9,625	11,542	1,917		

Notes to Financial Statements

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9. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

A brief description of the business information of the invested companies, based on their latest published annual or interim reports, is as follows:

Chevalier International Holdings Limited (“Chevalier International”)

Chevalier International is primarily engaged in the investment holding of such businesses as construction and engineering, insurance and investment, property and hotel, along with other activities such as automobile dealership and international trading.

The profit attributable to shareholders of Chevalier International for the six months ended on 30 September 2005 was approximately HK\$224,038,000. As at 30 September 2005, the net asset value of Chevalier International was approximately HK\$3,646,536,000.

During the year, the Company received cash dividend of HK\$313,425 from Chevalier International.

China Petroleum & Chemical Corporation (“Sinopec Corp”)

Sinopec Corp is principally engaged in products and services including exploring for and developing, producing and trading crude oil and natural gas; processing crude oil into refined oil products, producing refined oil products and trading, transporting, distributing and marketing refined oil products; producing, distributing and trading petrochemical products.

The profit attributable to shareholders of Sinopec Corp for the year ended 31 December 2005 was approximately RMB43,840,000. As at 31 December 2005, the net asset value of Sinopec Corp was approximately RMB252,996,000.

During the year, the Company did not receive any dividend from Sinopec Corp.

Qin Jia Yuan Media Services Company Limited (“Qin Jia Yuan”)

Qin Jia Yuan is principally engaged in the provision of integrated and comprehensive television media services for TV drama investors, production houses, distributors, broadcasters, advertisement sponsors, advertising agents and audience.

The profit attributable to shareholders of Qin Jia Yuan for the year ended 30 September 2005 was approximately HK\$66,247,000. As at 30 September 2005, the net asset value of Qin Jia Yuan was approximately HK\$379,701,000.

During the year, the Company received cash dividend of HK\$93,530 from Qin Jia Yuan.

Notes to Financial Statements

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9. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)**Van Shung Chong Holdings Limited (“Van Shung Chong”)**

Van Shung Chong is principally engaged in global supply chain management and value-added processing of materials in the PRC.

The profit attributable to shareholders of Van Shung Chong for the six months ended 30 September 2005 was approximately HK\$25,961,000. As at 30 September 2005, the net asset value of Van Shing Chong was approximately HK\$747,770,000.

During the year, the Company received cash dividend of HK\$43,780 from Van Shung Chong.

10. INVESTMENT SECURITIES

At 31 March 2005, the investment in unlisted equity securities and debt securities were stated at cost and identified as investment securities. Pursuant to the HKFRSs, these securities have been reclassified as available-for-sale investments (see details in note 8) at 1 April 2005.

11. TRADING SECURITIES

At 31 March 2005, the investment in Hong Kong listed equity securities were stated at fair value and identified as trading securities. Pursuant to the HKFRSs, these securities have been reclassified as investments at fair value through profit or loss (see details in note 9) at 1 April 2005.

12. ACCOUNTS RECEIVABLE

An aging analysis of the accounts receivable as at 31 March 2006 is as below:

	2006	2005
	HK\$'000	HK\$'000
Less than one year	291	1,497

The amount represents receivable from the listed shares dealing through the securities account maintained with a related company, Grand Investment (Securities) Limited, in which the Directors of the Company, Mr. Lee Woo Sing, Mr. Lee Tak Lun and Ms. Chung Wing Han Wendy have beneficial interests.

Notes to Financial Statements

31 March 2006

13. CASH AND CASH EQUIVALENTS

	2006	2005
	HK\$'000	HK\$'000
Cash and bank balances	17,540	22,476
Short-term deposit with original maturities within three months	5,000	3,003
	22,540	25,479

The effective interest rate of the short-term deposits of the Company with original maturities within three months at 31 March 2006 was 3.47% per annum (2005: 1.50% per annum).

14. OTHER PAYABLE AND ACCRUALS

An aging analysis of the other payable and accruals is as below:

	2006	2005
	HK\$'000	HK\$'000
Less than one year	173	220

15. SHARE CAPITAL

	2006	2005
	HK\$'000	HK\$'000
Authorised:		
200,000,000 ordinary shares of HK\$0.10 each	20,000	20,000
Issue and fully paid:		
60,000,000 ordinary shares of HK\$0.10 each	6,000	6,000

Notes to Financial Statements

31 March 2006

16. RESERVES

	Share premium HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
At 31 March 2004	—	(74)	(74)
Issues of shares at premium	53,100	—	53,100
Listing expenses	(4,034)	—	(4,034)
Profit for the year	—	2,890	2,890
At 31 March 2005	49,066	2,816	51,882
At 31 March 2005	49,066	2,816	51,882
Profit for the year	—	3,675	3,675
Dividends paid	—	(2,520)	(2,520)
At 31 March 2006	49,066	3,971	53,037

17. OPERATING LEASE COMMITMENTS

At 31 March 2006, the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2006 HK\$'000	2005 HK\$'000
Not later than one year	422	139
In second to fifth year inclusive	649	—
	1,071	139

18. NET ASSET VALUE PER SHARE

The calculation of net asset value per share is based on the net assets of HK\$59,037,000 at 31 March 2006 (2005: HK\$57,882,000) and the 60,000,000 ordinary shares in issue as at 31 March 2006 and 31 March 2005.

Notes to Financial Statements

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19. NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the financial statements of the Company to the extent of the profit of HK\$3,675,000 (Year ended 31 March 2005: profit of HK\$2,890,000).

20. DIVIDENDS

	2006 HK\$'000	2005 HK\$'000
Proposed final dividend by way of bonus issue — HKD20 cents per share	12,000	—
Proposed final cash dividend — HKD4.2 cents per share	—	2,520
	12,000	2,520

The final dividend by way of bonus issue of HKD20 cents per share for the year ended 31 March 2006, which is proposed to be satisfied by the issue of bonus shares (credited as fully paid) for every five existing ordinary shares has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming Annual General Meeting.

21. EARNINGS PER SHARE

The calculation of earnings per share is based on the net profit attributable to the shareholders for the year ended 31 March 2006 was HK\$3,675,000 (2005: HK\$2,890,000) and on 60,000,000 ordinary shares in issue during the years ended 31 March 2006 and 2005. The Company has no potential dilutive ordinary shares that were outstanding during the year.

22. SHARE OPTION SCHEME

The Company had conditionally approved by resolutions in writing of its sole shareholder at that time of share option scheme on 13 February 2004, under which certain selected classes of participants (including, amongst others, full-time employees) may be granted options to subscribe for ordinary shares of the Company (the “**Shares**”). The share option scheme was not in place on the balance sheet date but was approved by the Stock Exchange of Hong Kong Limited upon the Listing of the Shares on 2 April 2004.

The following is a summary of the pertinent terms of the share option scheme.

The purpose of the share option scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Company, if any.

Notes to Financial Statements

31 March 2006

22. SHARE OPTION SCHEME (continued)

The Directors may, at their absolute discretion, grant options to any employee, any executive or non-executive Directors, any persons that provides research, development or other technological support to the Company, any shareholder, any advisor or consultant, and/any joint venture partner or business alliance that co-operates with the Company.

(i) Maximum number of the shares

- (a) The maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the share option scheme and any other share option scheme(s) of the Company must not in aggregate exceed 30 per cent. of the share capital of the Company in issue from time to time.
- (b) The total number of shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the share option scheme and any other share option scheme(s) of the Company) to be granted under the share option scheme and any other share option scheme of the Company must not in aggregate exceed 10 per cent. of the Shares in issue (“**General Scheme Limit**”).
- (c) Subject to (a) above and without prejudice to (d) below, the Company may seek approval of the Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon the exercise of all options to be granted under the share option scheme and any other share option scheme(s) of the Company must not exceed 10 per cent. of the Shares in issue as at the date of approval of the limit and, for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the share option scheme and any other share option scheme(s) of the Company) previously granted under the share option scheme and any other share option scheme(s) of the Company will not be counted.
- (d) Subject to (a) above and without prejudice to (c) above, the Company may seek separate approval of the Shareholders in general meeting to grant options under the share option scheme beyond the General Scheme Limit or, if applicable, the extended limit referred to in (c) above to participants specifically identified by the Company before such approval is sought.

Notes to Financial Statements

31 March 2006

22. SHARE OPTION SCHEME (continued)

(ii) Maximum entitlement of each participant

The total number of shares issued and which may fall to be issued upon the exercise of the options granted under the share option scheme and any other share option scheme(s) of the Company (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1 per cent. of the issued share capital of the Company for the time being.

(iii) Grant of options to connected persons

Any grant of options under the share option scheme to a Director, chief executive or substantial shareholder or any of their respective associates must be approved by the independent non-executive Directors.

Certain grant of options to a substantial shareholder or an independent non-executive Director, must be approved by the shareholders in general meeting.

(iv) Time of acceptance and exercise of option

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

The maximum period that an option may be exercised from the time it is granted is 10 years. There is no minimum period required under the share option scheme for the holding of an option before it can be exercised.

(v) Performance targets

No performance targets are specifically stipulated under the share option scheme.

(vi) Subscription price for the shares

The subscription price for the shares under the share option scheme shall be a price determined by the directors but shall not be less than the highest of (aa) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet for trade on the date of the offer of grant which must be a business day; (bb) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of grant which must be a business day; and (cc) the nominal value of the Shares. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

Notes to Financial Statements

31 March 2006

22. SHARE OPTION SCHEME (continued)

(vii) Restrictions on the time of grant of options

No offer for the grant of options shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published in newspapers.

(viii) Period of the share option scheme

The share option scheme will remain in force for a period of 10 years commencing on the date on which the share option scheme becomes unconditional.

(ix) Adjustments to the subscription price

In the event of a capitalisation issue, rights issue, sub-division or consolidation of the Shares or reduction of capital of the Company whilst an option remains exercisable such corresponding alterations, if any, certified by the auditors for the time being or an independent financial adviser to the Company as fair and reasonable will be made to the number or nominal amount of the Shares the subject matter of the share option scheme and the option granted and so far as granted and unexercised and/or the subscription price.

(x) Termination of the Share Option Scheme

The Company may by resolution at general meeting at any time terminate the operation of the Share Option Scheme and in such event no further options shall be offered.

(xi) Lapse of option

An option shall lapse automatically on the earliest of the expiry of the period referred to in paragraph (iv) and the expiry of the periods or dates of the following:

- Cessation of employment of a grantee;
- Death, ill-health, or retirement of a grantee;
- Dismissal of a grantee;
- Breach of contract by a grantee;
- Holder of the Shares accepting a general offer, a compromise, or arrangement; and
- The Company undergoing a voluntary winding-up.

None of employees were granted share option by the Company during the year.

Notes to Financial Statements

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23. RELATED PARTY TRANSACTIONS

During the year, saved for those parties referred to the connected transactions in the report of the Directors, the Company traded the listed securities through a securities account maintained with a related Company, Grand Investment (Securities) Limited, in which the Directors of the Company, Mr. Lee Woo Sing, Mr. Lee Tak Lun, and Ms. Chung Wing Han Wendy have beneficial interests.

24. FINANCIAL INSTRUMENTS

(a) Financial risk factors

The main risks arising from the Company's financial instruments are credit risks, foreign exchange risks, price risks and interest rate risks. The Directors meet periodically to analyse and formulate measures to manage the Company's exposure to these risks. Generally, the Company introduces conservative strategies on its risk management. As the Company's exposure to these risks is kept to a minimum, the Company has not used any derivatives and other instruments for hedging purposes. The Directors review and agree policies for managing each of these risks and they are summarised as follows:

(i) *Credit risks*

Financial instruments of the Company that are exposed to credit risks include cash equivalents and trade receivables. Cash equivalents consist principally of deposits and short-term money market funds placed with major financial institutions. These instruments are short-term in nature and bear minimal risk. To date, the Company has not experienced any losses on cash equivalents.

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

(ii) *Foreign exchange risks*

The Company may experience a loss as a result of any foreign currency exchange rate fluctuations in connection with its investments. The Company has not used any means to hedge the exposure to foreign exchange risks.

(iii) *Price risks*

The Company is exposed to price risks because of investments held by the Company and classified as investments at fair value through profit and loss. They are stated at fair value through profit or loss.

Notes to Financial Statements

31 March 2006

24. FINANCIAL INSTRUMENTS (continued)

(a) Financial risk factors (continued)

(iv) *Interest rate risks*

The Company has no interest-bearing borrowings. The Company's exposure to changes in interest rates is mainly attributable to its interest-bearing assets representing available-for-sale investments, details of which have been disclosed in note 8 to the Financial Statements. Interest rates on these investments have been fixed in the relevant contracts. Other financial assets and liabilities do not have material interest rate risk.

(b) Fair value estimation

The Company's investments held for trading are listed equity securities traded in active market. The fair value of these investments is based on quoted market prices at the balance sheet date.

The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximate their fair values.

25. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of Directors on 25 May 2006.