Notes to the Financial Statements

For the year ended 31st March, 2006

1. General

The Company is an exempted company incorporated in the Cayman Islands and redomiciled in Bermuda with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is He Fu International Limited ("He Fu"), a company incorporated in the British Virgin Islands. The addresses of the registered office and principal place of business of the Company are disclosed on page 2 of the annual report.

Pursuant to a special resolution passed by the shareholders in an extraordinary general meeting held on 4th July, 2005 and approved by the Registrars of Companies in the Cayman Islands and Bermuda on 22nd July, 2005, the Company de-registered from the Cayman Islands under Section 226 of the Companies Law and redomiciled in Bermuda under Section 132C of the Companies Act 1981 of Bermuda as an exempted company.

The principal activity of the Group is property investment.

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

2. Basis of Preparation of Financial Statements

In order to improve the financial position of the Group, subsequent to the balance sheet date, the Group obtained additional funding in the aggregate amount of HK$167 million from placing of new shares. The directors are satisfied that the Group will have sufficient financial resources to meet in its financial obligations as they fall due. Accordingly, the financial statements have been prepared on a going concern basis.

3. Application of New Hong Kong Financial Reporting Standards

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") 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 application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. The changes in presentation have been applied retrospectively.

Notes to the Financial Statements

For the year ended 31st March, 2006

3. Application of New Hong Kong Financial Reporting Standards *(continued)*

The adoption of these 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 prepared and presented:

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 income statement for the period in which they arise. In previous years, the predecessor accounting standards were measured at open market values, with revaluation surplus or deficit credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. When a decrease had previously been charged to the income statement and a revaluation surplus subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1st April, 2005 onwards. However, there has been no material effect on how the results are prepared and presented.

In addition, HKAS 40 has removed the 15% benchmark for determining the significance of the portion of property held for own use or leased to group companies, which was previously allowed under SSAP 13. Under HKAS 40, if a property used for administrative purpose could be sold separately, the Group is required to account for that property separately. Accordingly, certain property held for own use, previously included in investment properties, has been reclassified as property, plant and equipment under HKAS 16 "Property, Plant and Equipment". These changes in accounting policy have been applied retrospectively.

Upon the application of HKAS 16, an amount of HK$390,000 has been reclassified from investment properties to property as at 1st April, 2004. The Group's accumulated losses as at 1st April, 2004 has been increased by HK$18,000. Loss for the year has been increased by HK$70,000 (2005: decrease of HK$71,000) due to depreciation charge of the property and fair value change or revaluation of investment properties. Administrative expenses have been increased by HK$10,000, and fair value change of investment properties has been decreased by HK$60,000 for the year ended 31st March, 2006. Administrative expenses have been increased by HK$9,000, and deficit arising on revaluation of investment properties has been decreased by HK$80,000 for the year ended 31st March, 2005.

Notes to the Financial Statements

For the year ended 31st March, 2006

3. Application of New Hong Kong Financial Reporting Standards *(continued)*

Deferred Taxes related to Investment Properties

In previous years, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current year, the Group has applied Hong Kong (SIC) Interpretation 21 "Income Taxes — Recovery of Revalued Non-Depreciable Assets" which remove 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 properties at each balance sheet date. This change in accounting policy has been applied retrospectively. However, there has been no material effect on how the results are prepared and presented.

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The Group is in the process of assessing the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs will have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

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]

Notes to the Financial Statements

For the year ended 31st March, 2006

3. Application of New Hong Kong Financial Reporting Standards *(continued)*

Deferred Taxes related to Investment Properties *(continued)*

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.

4. Significant Accounting Policies

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

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

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 date 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 of the Group.

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

Revenue recognition

Rental income, including rentals invoiced in advance from properties under operating leases, is recognised on a straight-line basis over the respective lease terms.

Notes to the Financial Statements

For the year ended 31st March, 2006

4. Significant Accounting Policies *(continued)*

Revenue recognition *(continued)*

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.

Property

Property is stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of property over the shorter of the unexpired period of the lease or 40 years using the straight-line method.

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 income statement in the year in which the item is derecognised.

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.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

Notes to the Financial Statements

For the year ended 31st March, 2006

4. Significant Accounting Policies *(continued)*

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 income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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 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.

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 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.

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.

Financial assets

The Group's financial assets are classified into loans and receivables. The accounting policies adopted are set out below.

Notes to the Financial Statements

For the year ended 31st March, 2006

4. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

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 other receivables and bank balances) 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 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 financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities (including trade and other payables, amounts due to directors, amount due to a related company and bank borrowings) 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.

Notes to the Financial Statements

For the year ended 31st March, 2006

4. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Derecognition

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

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

Impairment losses

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.

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.

5. Critical Accounting Judgments

Critical judgement in applying accounting policies

In the process of applying the accounting policies which are described in note 4, the management has made the following judgment that has significant effect on the amounts recognised in the financial statements.

Notes to the Financial Statements

For the year ended 31st March, 2006

5. Critical Accounting Judgments *(continued)*

Critical judgement in applying accounting policies *(continued)*

Going concern

As at 31st March, 2006, the Group had net liabilities of approximately HK$16,239,000. The Directors are of the opinion that the preparation of these financial statements is based on a going concern and its basis has been disclosed in note 2. Should there be any problem in the going concern of the Group, all the assets and liabilities have to be stated at net realisable values.

6. Financial Risk Management Objectives and Policies

The Group's major financial instruments include trade and other receivables, bank balances, trade and other payables, amounts due to directors, amount due to a related company and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

The Group is exposed to cash flow interest rate risk through the impact of rate changes on short-term bank deposits included in bank balances and cash and bank borrowings. The interest rate and terms of short-term bank deposits and bank borrowings of the Group are disclosed in notes 16 and 20, respectively. The Group currently does not have any interest rate hedging policy. However, the management monitors interest rate change exposure and will consider hedging significant interest rate change exposure should the need arise.

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. In order to minimise credit risk, the management has adopted 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 debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

Notes to the Financial Statements

For the year ended 31st March, 2006

6. Financial Risk Management Objectives and Policies *(continued)*

Credit risk *(continued)*

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

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

7. Business and Geographical Segments

The Group was solely engaged in property letting business located in Hong Kong.

8. Income Tax Expense

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group incurred a tax loss for both years.

Tax expense for the year can be reconciled to the loss for the year per the income statement as follows:

	2006	2005
	HK$'000	*HK$'000*
		(restated)
Loss for the year	**(5,252)**	(30,267)
Tax at Hong Kong Profits Tax rate of 17.5%	**(919)**	(5,297)
Tax effect of expenses not deductible for tax purpose	**1,155**	5,865
Tax effect of income not taxable for tax purpose	**(255)**	—
Tax effect of tax losses not recognised	**19**	—
Utilisation of tax loss not recognised	**—**	(568)
Tax expense for the year	**—**	—

As at 31st March, 2006, the Group has unused tax losses of approximately HK$12,858,000 (2005: HK$12,752,000), available to offset against future profits. No deferred tax asset has been recognised in respect of such losses for the Group due to the unpredictability of future profit streams. The losses may be carried forward indefinitely.

Notes to the Financial Statements

For the year ended 31st March, 2006

9. Loss for the Year

	2006	2005
	HK$'000	*HK$'000*
		(restated)
Loss for the year has been arrived at after charging:		
Depreciation of property	**10**	9
Directors' emoluments *(Note 10)*	**2,170**	10,200
Other staff costs	**387**	343
Retirement benefits scheme contributions	**38**	23
Total staff costs	**2,595**	10,566
Auditors' remuneration	**348**	250

Notes to the Financial Statements

For the year ended 31st March, 2006

10. Directors' Emoluments

The emoluments paid or payable to each of the 8 (2005: 7) directors were as follows:

	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31st March, 2006				
Executive directors:				
Mr. Zhang Hongwei	**1,000**	**—**	**—**	**1,000**
Mr. Guan Guoliang	**600**	**—**	**—**	**600**
Mr. Wong Wing Ming	**—**	**—**	**—**	**—**
Mr. Zhu Jun *(Note a)*	**270**	**—**	**—**	**270**
	1,870	**—**	**—**	**1,870**
Independent non-executive directors:				
Mr. Chan Ka Si *(Note b)*	**—**	**—**	**—**	**—**
Mr. Chau Siu Wai	**120**	**—**	**—**	**120**
Mr. San Fung	**120**	**—**	**—**	**120**
Mr. Zhu Chengwu *(Note a)*	**60**	**—**	**—**	**60**
	300	**—**	**—**	**300**
	2,170	**—**	**—**	**2,170**

Notes:

a. Appointed as directors during the year ended 31st March, 2006.

b. Resigned as a director during the year ended 31st March, 2006.

Notes to the Financial Statements

For the year ended 31st March, 2006

10. Directors' Emoluments *(continued)*

	Fees *HK$'000*	Salaries and other benefits *HK$'000*	Retirement benefits scheme contributions *HK$'000*	Total emoluments *HK$'000*
Year ended 31st March, 2005				
Executive directors:				
Mr. Zhang Hongwei	—	—	—	—
Mr. Guan Guoliang	4,000	5,700	—	9,700
Mr. Wong Wing Ming	—	—	—	—
	4,000	5,700	—	9,700
Independent non-executive directors:				
Mr. Chan Ka Si	—	—	—	—
Mr. Chau Siu Wai *(Note a)*	250	—	—	250
Mr. San Fung *(Note a)*	250	—	—	250
Mr. Wong See Hung *(Note b)*	—	—	—	—
	500	—	—	500
	4,500	5,700	—	10,200

Notes:

a. Appointed as directors during the year ended 31st March, 2005.

b. Resigned as a director during the year ended 31st March, 2005.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year ended 31st March, 2006 and 2005.

Notes to the Financial Statements

For the year ended 31st March, 2006

11. Employees' Emoluments

Of the five highest paid employees in the Group, three (2005: three) were directors of the Company whose emoluments are included in note 10 above. The emoluments of the remaining two (2005: two) individuals were as follows:

	2006	2005
	HK$'000	*HK$'000*
Salaries and other benefits	**293**	310
Retirement benefit scheme contributions	**15**	14
	308	324

Their emoluments were within the band from HK$nil to HK$1,000,000.

During the years ended 31st March, 2006 and 2005, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an incentive to join or upon joining the Group or as compensation for loss of office.

12. Basic Loss per Share

The calculation of the basic loss per share is based on the loss for the year of approximately HK$5,252,000 (2005: HK$30,267,000) and on 95,985,375 (2005: 95,985,375) shares, being adjusted for the share combination from 10 shares to 1 share which has taken place during the year ended 31st March, 2006.

The following table summarises the impact on the basic loss per share as a result of:

	Impact on basic loss per share	
	Year ended 31st March, 2006	Year ended 31st March, 2005
	cents	*cents*
Reported figures before adjustments	**(5.40)**	(31.61)
Adjustments arising from changes in accounting policy	**(0.07)**	0.08
Restated	**(5.47)**	(31.53)

There were no potential shares in issue during both years.

Notes to the Financial Statements

For the year ended 31st March, 2006

13. Investment Properties

	HK$'000 (restated)
FAIR VALUE	
At 1st April, 2004 as originally stated	37,000
Effect of changes in accounting policy	(390)
At 1st April, 2004 as restated	36,610
Deficit arising on revaluation recognised in the income statement	(18,420)
At 31st March, 2005	18,190
Transfer to property	(60)
Increase in fair value recognised in the income statement	1,440
At 31st March, 2006	19,570

The fair value of the Group's investment properties as at 31st March, 2006 has been arrived at on the basis of a valuation carried out on that date by BMI Appraisals Limited, independent qualified professional valuers not connected with the Group. BMI Appraisals Limited are members of the Institute of Valuers, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation has been prepared in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors, was arrived at by reference to market evidence of transaction prices for similar properties.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The Group's investment properties are held under medium-term leases in Hong Kong.

Notes to the Financial Statements

For the year ended 31st March, 2006

14. Property

	HK$'000
AT COST	
At 1st April, 2004 as originally stated	—
Effect of changes in accounting policy	390
At 1st April, 2004 as restated, 31st March, 2005 and 1st April, 2005	390
Transfer from investment properties	60
At 31st March, 2006	450
DEPRECIATION	
At 1st April, 2004 as originally stated	—
Effect of changes in accounting policy	18
At 1st April, 2004 as restated	18
Provided for the year	9
At 31st March, 2005 and 1st April, 2005	27
Provided for the year	10
At 31st March, 2006	37
CARRYING VALUES	
At 31st March, 2006	413
At 31st March, 2005	363

The carrying value of property shown above comprises leasehold land in Hong Kong under medium-term lease for both years.

Notes to the Financial Statements

For the year ended 31st March, 2006

15. Trade and other Receivables

	2006 HK$'000	2005 HK$'000
Trade receivables	**40**	56
Other receivables	**583**	551
Total trade and other receivables	**623**	607

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

	2006 HK$'000	2005 HK$'000
Within 60 days	**40**	—
61 to 90 days	**—**	53
Over 90 days	**—**	3
	40	56

The fair value of the Group's trade and other receivables as at 31st March, 2006 approximates to the corresponding carrying amount.

16. Bank Balances and Cash

The amounts comprise cash and short-term bank deposits at market interest rates ranging from 1% to 3% (2005: 0% to 1%) with an original maturity of three months or less. The fair value of the Group's bank balances as at 31st March, 2006 approximates to the corresponding carrying amount.

Notes to the Financial Statements

For the year ended 31st March, 2006

17. Trade and other Payables

	2006 HK$'000	2005 HK$'000
Trade payables	—	1,268
Other payables	3,453	5,559
Total trade and other payables	3,453	6,827

The following is an aged analysis of trade payable at the balance sheet date:

	2006 HK$'000	2005 HK$'000
Within 60 days	—	65
61 to 90 days	—	91
Over 90 days	—	1,112
	—	1,268

The fair value of the Group's trade and other payables as at 31st March, 2006 approximates to the corresponding carrying amount.

18. Amounts due to Directors

The balances are unsecured, interest-free and repayable on demand. The fair value of the balances as at 31st March, 2006 approximates to the corresponding carrying amount.

19. Amount due to a Related Company

The amount due to Oriental Harbour Holding Limited ("Oriental Harbour") is unsecured, interest-free and repayable on demand. The fair value of the balance as at 31st March, 2006 approximates to the corresponding carrying amount.

Notes to the Financial Statements

For the year ended 31st March, 2006

20. Bank Borrowings

	2006	2005
	HK$'000	*HK$'000*
Secured bank loans	**14,704**	11,346
Unsecured bank overdraft	**—**	21
	14,704	11,367
The bank borrowings are repayable as follows:		
Within one year	**1,473**	1,101
Between one and two years	**1,575**	1,121
Between two and five years	**5,412**	3,628
Over five years	**6,244**	5,517
	14,704	11,367
Less: Amount due within one year shown under current liabilities	**(1,473)**	(1,101)
Amount due after one year	**13,231**	10,266

The bank loans are variable-rate borrowings which carry interest ranging from 3.70% to 7.25% per annum (2005: 3.50% to 3.70% per annum).

The fair value of the Group's bank borrowings as at 31st March, 2006 approximates to the corresponding carrying amount.

Notes to the Financial Statements

For the year ended 31st March, 2006

21. Share Capital

	Number of shares	Amount HK$'000
Authorised:		
Shares of HK$0.10 each at 1st April, 2004 and 31st March, 2005	1,600,000,000	160,000
Consolidation of shares and reduction in capital	(1,440,000,000)	(95,025)
Division of shares	6,337,447,875	—
Shares of HK$0.01 each at 31st March, 2006	6,497,447,875	64,975
Issued and fully paid:		
Shares of HK$0.10 each at 1st April, 2004 and 1st April, 2005	959,853,750	95,985
Consolidation of shares and reduction in capital	(863,868,375)	(95,025)
Shares of HK$0.01 each at 31st March, 2006	95,985,375	960

On 8th August, 2005, the Company reorganised its capital structure as follows:

(i) consolidate 10 shares of the Company's ordinary shares of HK$0.10 each into 1 consolidated share of HK$1.00;

(ii) reduce the nominal value of each issued consolidated share from HK$1.00 share to HK$0.01; and

(iii) sub-divide each authorised but unissued consolidated share into 100 new shares.

Notes to the Financial Statements

For the year ended 31st March, 2006

22. Pledge of Assets

The carrying amounts of assets pledged by the Group to financial institutions to secure credit facilities granted to the Group are analysed as follows:

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Investment properties	**19,570**	18,190
Property	**413**	363
Other assets	**40**	56
	20,023	18,609

As at 31st March, 2006 and 2005, the Group has executed a deed of assignment over the rental proceeds from tenants arising from the lease of investment properties held by the Group to secure credit facilities granted to the Group.

23. Operating Leases

The Group as lessee

The Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2006	2005
	HK$'000	*HK$'000*
Within one year	**180**	—
In the second to fifth year inclusive	**180**	—
	360	—

The Group as lessor

Property rental income earned by the Group during the year was approximately HK$3,700,000 (2005: HK$3,884,000). Significant leases are negotiated for a lease term of 1 to 2 years.

Notes to the Financial Statements

For the year ended 31st March, 2006

23. Operating Leases *(continued)*

The Group as lessor *(continued)*

The Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2006	2005
	HK$'000	*HK$'000*
Within one year	**2,893**	3,083
In the second to fifth year inclusive	**1,193**	1,393
	4,086	4,476

24. Retirement Benefits Scheme

The Group participates in the Mandatory Provident Fund Scheme (the "MPF Scheme") established under the MPF Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contributions are available to reduce contributions payable in future years.

The total cost charged to income statement of HK$38,000 (2005: HK$23,000) represents contributions payable to the MPF Scheme by the Group for the year.

25. Related Party Transaction and Balances

Oriental Harbour has agreed to provide financial support to enable the Group to meet in full its financial obligations as they fall due for a period of twelve months from the date of this report.

Details of the balances with directors and a related company at the balance sheet date are set out in the consolidated balance sheet on page 19 and notes 18 and 19.

Notes to the Financial Statements

For the year ended 31st March, 2006

25. Related Party Transaction and Balances *(continued)*

Compensation of key management personnel

The remuneration of key management during the year was as follows:

	2006	2005
	HK$'000	*HK$'000*
Short-term benefits	**2,170**	10,200

The remuneration of key management is determined by the board of directors having regard to the performance of individuals and market trends.

26. Post Balance Sheet Events

(a) Pursuant to a special general meeting of the Company held on 18th April, 2006, and the announcement of the Company dated 18th April, 2006, the very substantial acquisition and connected transaction acquisition of the entire issued share capital of Grand Hope Group Limited and continuing connected transactions were duly passed. Grand Hope Group Limited and its subsidiaries is engaged in property development and investment activities.

The transaction was completed on 6th June, 2006 when the Company issued 5,080,000,000 shares at HK$0.10 per share to He Fu as the consideration for the acquisition. The details of the acquisition were disclosed in the circular of the Company dated 31st March, 2006.

Under HKFRS 3 "Business Combinations", the acquirer shall measure the cost of a business combination as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree; plus any costs directly attributable to the business combination. Since the fair value of the identifiable assets and liabilities of Grand Hope Group is significantly greater than that of the Group, under HKFRS 3 "Business Combinations", the transaction will be accounted for as a reverse acquisition. Grand Hope Group is treated as the accounting acquirer and the Group is treated as the accounting acquiree. The Group is in the process of assessing the fair values of the identifiable assets and liabilities of the accounting acquiree, therefore the financial effects of the acquisition are not presented.

Notes to the Financial Statements

For the year ended 31st March, 2006

26. Post Balance Sheet Events *(continued)*

(b) Pursuant to a special general meeting of the Company held on 11th May, 2006, and the announcement of the Company dated 11th May, 2006, the resolutions relating to the increase in authorised share capital of the Company, the grant of a special mandate to allot, issue and deal up to 1,700,000,000 shares and the adoption of the new share option scheme were duly approved by the shareholders of the Company. On 11th May, 2006, the authorised shares capital of the Company was increased from HK$64,974,478 to HK$200,000,000.

(c) Pursuant to the announcement of the Company dated 1st June, 2006, the Stock Exchange has granted listing approvals of the 5,080,000,000 shares of the Company for the acquisition of Grand Hope Group Limited ("Consideration Shares"), and 1,699,998,000 of placing of new shares at HK$0.10 per share ("Placing Shares") on 30th May, 2006. On 6th June, 2006, the Consideration Shares and Placing Shares have been issued and allotted to He Fu and public shareholders, respectively.

27. Particulars of a Subsidiary

Fine Profits Corporation Limited is the only subsidiary incorporated in Hong Kong with registered ordinary share capital of HK$10,000. It is a wholly-owned subsidiary and engaged in property investments.

Notes to the Financial Statements

For the year ended 31st March, 2006

28. Balance Sheet Information of the Company

Balance sheet information of the Company is as follows:

	2006	2005
	HK$'000	*HK$'000*
Non-current asset		
Investment in a subsidiary	**10**	10
Current assets		
Trade and other receivables	**1**	1
Amount due from a subsidiary	**5,557**	5,209
Bank balances and cash	**2,492**	64
	8,050	5,274
Current liabilities		
Trade and other payables	**2,315**	4,417
Amounts due to directors	**12,454**	11,570
Amount due to a related company	**11,028**	447
	25,797	16,434
Net current liabilities	**(17,747)**	(11,160)
Net liabilities	**(17,737)**	(11,150)
Capital and reserves		
Share capital	**960**	95,985
Reserves	**(18,697)**	(107,135)
Deficiency in shareholders' funds	**(17,737)**	(11,150)

Loss of the Company for the year ended 31st March, 2006 amounted to HK$6,588,000 (2005: HK$18,777,000).