

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006

1. GENERAL INFORMATION

New Times Group Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") are principally engaged in property investment and provision of financial services.

The Company is a limited liability company incorporated in Bermuda and its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The Company is listed on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK\$'000), unless otherwise stated.

2. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") and interpretations ("HKAS-Int") (collectively the "HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The consolidated financial statements have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, investment properties and financial assets at fair value through profit or loss are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 5.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

2. BASIS OF PREPARATION *(Continued)*

Adoption of new/revised HKFRSs

In 2006, the Group adopted the new/revised HKFRSs below, which are relevant to its operations. The comparative figures have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
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 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Properties
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations
HKAS-Int 12	Consolidation – Special Purpose Entities
HKAS-Int 12 (Amendment)	Scope of HKAS-Int 12 Consolidation – Special Purpose Entities
HKAS-Int 15	Operating leases – Incentives
HKAS-Int 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

2. BASIS OF PREPARATION *(Continued)*

Adoption of new/revised HKFRSs *(Continued)*

The overall effects of the adoption of these new/revised HKFRSs are to decrease the opening equity as at 1 April 2005 and 2004 by HK\$367,000 and HK\$256,000 respectively and to decrease the loss for the year ended 31 March 2005 by HK\$361,000. The major changes in the Group's significant accounting policies or the presentation of financial statements as a result of the adoption of these new/revised HKFRS are summarised as follows:

a) *HKAS 1 and HKAS 27*

The adoption of HKAS 1 and HKAS 27 has mainly resulted in the following presentational change in the Group's financial statements:

- minority interests are now required to be shown within the Group's equity. On the face of the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the year; and
- intangible assets are now required to be presented on the face of balance sheet.

b) *HKAS 17*

The adoption of revised HKAS 17 has resulted in a change in an accounting policy relating to the reclassification of leasehold land from properties to operating leases prepayments.

The up-front prepayments made for the leasehold land are initially stated at cost and expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the income statement.

In prior years, the leasehold land were stated at revalued amount less accumulated amortization and impairment losses.

This change in accounting policy has been applied retrospectively so that the comparative figures presented have been restated to conform with the changed policy. The effect on the adoption of the HKAS 17 is to increase and decrease the opening equity as at 1 April 2005 and 2004 by HK\$105,000 and HK\$256,000 respectively and to decrease the loss for the year ended 31 March 2005 by HK\$361,000.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

2. BASIS OF PREPARATION *(Continued)*

Adoption of new/revised HKFRSs *(Continued)*

c) *HKASs 32 and 39*

The adoption of HKAS 32 “Financial Instruments: Disclosure and Presentation” and HKAS 39 “Financial Instruments: Recognition and Measurement” has resulted in a change in the accounting policy relating to the recognition, measurement, derecognition and disclosure of financial assets and liabilities.

In accordance with provisions of HKAS 39, the Group reclassified their investments into loans and receivables and financial assets at fair value through profit or loss. Loans and receivables are carried initially at fair value and subsequently at amortised cost less any provision for impairment. Financial assets at fair value through profit or loss are carried at fair value with any unrealized gains and losses included in the income statement in the period in which they arise. In prior years, investments of the Group were included in short term investments which were stated at fair values.

HKAS 39 does not permit to recognise, derecognize and measure financial assets and liabilities on a retrospective basis. Accordingly, the Group redesignates all investments into loans and receivables and financial assets at fair value through profit or loss as at 1 April 2005.

d) *HKAS 40*

The adoption of HKAS 40 “Investment Property” has resulted in a change in the accounting policy whereby the changes in fair values of investment properties are recorded in the income statement. In prior years, the increases in fair value were credited to the investment properties revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the income statement.

This change was adopted by increasing the opening balance of retained profits as of 1 April 2005 by HK\$2,527,000 and decreasing the investment property revaluation reserve by HK\$2,999,000 respectively. Comparative amounts have not been restated as permitted under the transitional provisions of HKAS 40.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

2. BASIS OF PREPARATION *(Continued)*

Adoption of new/revised HKFRSs *(Continued)*

e) *HKFRS 2*

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments.

The Group operates an equity-settled, share-based compensation plan. Until 31 March 2005, the provision of share options granted by the Company to the Group's employees did not result in expenses in the income statement. With effect from 1 April 2005, the fair value of the employee services received in exchange for the grant of the share options of the Company is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the share options granted by the Company.

As all the share options previously granted by the Company was vested on or before 1 April 2005, accordingly, no adjustment is made in the Group's financial statements pursuant to the transitional provisions as set out in HKFRS 2.

f) *HKFRS 3*

The adoption of HKFRS 3 has resulted in a change in the accounting policy for goodwill and negative goodwill. In prior years, goodwill or negative goodwill on acquisitions of subsidiaries, jointly controlled entities or associates on or after 1 January 2001 was:

- Amortised on a straight-line basis over its estimated useful life of not exceeding 20 years; and
- Assessed for impairment on goodwill at each balance sheet date.

In accordance with the provisions of HKFRS 3:

- The Group ceased amortisation of goodwill with effect from 1 April 2005;
- Accumulated amortisation of goodwill as at 31 March 2005 has been eliminated with a corresponding decrease in the cost of goodwill;
- Goodwill is tested annually for impairment, as well as when there is indication of impairment; and
- The carrying amount of negative goodwill as at 31 March 2005 is derecognised and reflected as an adjustment to the Group's opening equity as at 1 April 2005.

The adoption of HKFRS 3 does not have any significant impact to the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

2. BASIS OF PREPARATION *(Continued)*

Adoption of new/revised HKFRSs *(Continued)*

g) HKFRS 5

Pursuant to HKFRS 5, the Group's interest in Ideal Far East Limited, a wholly owned subsidiary of the Company were classified as discontinued operation subsequent to the cessation of precision components processing equipment trading business in 2005 as detailed in note 7 below.

The adoption of HKFRS 5 has resulted in certain changes in presentation of financial statements. A single amount on the face of the income statement comprising the aggregate of the post-tax loss relating to discontinued operation was disclosed. In prior years, results of discontinued operations were incorporated in the individual lines on the face of the income statement. An analysis of the revenue, expenses, pre-tax loss of discontinued operation was also disclosed in the notes to the financial statements.

The adoption of HKASs 2, 7, 8, 10, 12, 16, 18, 19, 21, 23, 24, 27, 33, 36, 37, 38, HKAS-Int 12, 15 and 21 did not result in any significant change to the Group's significant accounting policies and the presentation of the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

2. BASIS OF PREPARATION *(Continued)*

Standards, interpretations and amendments to published standards that are not yet effective for the year ended 31 March 2006

The HKICPA has issued the following new standards, interpretations and amendments which are not yet effective for the year ended 31 March 2006:

	Effective for accounting periods beginning on or after
HKFRS Interpretation 4 "Determining whether an Arrangement contains a Lease"	1 January 2006
HKAS 19 (Amendment) "Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures"	1 January 2006
HKAS 39 (Amendment) "Financial Instruments: Recognition and Measurement":	
– The fair value option	1 January 2006
– Financial guarantee contracts	1 January 2006
Amendments, as a consequence of the Hong Kong Companies (Amendment) Ordinance 2005, to:	
– HKAS 1 "Presentation of Financial Statements"	1 January 2006
– HKAS 27 "Consolidated and Separate Financial Statements"	1 January 2006
– HKFRS 3 "Business Combinations"	1 January 2006
HKFRS 7 "Financial Instruments: Disclosures"	1 January 2007
HKAS 1 (Amendment) "Presentation of Financial Statements: Capital Disclosures"	1 January 2007

The Group has not early adopted the above standards, interpretations and amendments in the financial statements for the year ended 31 March 2006. The Group has already commenced an assessment of the related impact to the Group but is not yet in a position to state whether any substantial changes to Group's accounting policies and presentation of the financial statements will be resulted.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of the financial statements are set out below.

a) Group accounting

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 March.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Intercompany transactions and balances between group companies are eliminated. Unrealised gains on transactions between group companies and between the Group and its jointly controlled entities and associates to the extent of the Group's interest are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies by the Group. Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In the Company's balance sheet the investment in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend income.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

b) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/jointly controlled entity/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of jointly controlled entities and associates is included in investments in jointly controlled entities and associates. Separately recognised goodwill is tested for impairment annually and when there is indication for impairment, and is carried at cost less accumulated impairment losses. Impairment loss on goodwill is not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

c) Impairment of assets

Assets that have an indefinite useful life 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 depreciation or amortization 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).

d) Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

d) **Property, plant and equipment** *(Continued)*

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost or revalued amounts to the residual values of respective property, plant and equipment over their estimated useful lives, as follows:

Buildings	2.2%
Leasehold improvements	over the unexpired period of the lease
Furniture and office equipment	20%
Motor vehicles	33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gain or loss on disposal of property, plant and equipment is the difference between the net sale proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

e) **Investment properties**

Property that is held for long term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by external valuers.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

e) **Investment properties** *(Continued)*

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Changes in fair values are recognised in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this items at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

f) **Properties held for and under development for sale**

Properties held for and under development for sale are carried at cost which includes development and construction expenditure incurred and interest and other direct costs attributable to the development less any impairment losses.

g) **Investments**

Prior to 31 March 2005:

The Group classified its investments in securities, other than subsidiaries, jointly controlled entities and associates as short term investments.

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

g) Investments *(Continued)*

From 1 April 2005 onwards:

The Group classifies its investments in the following two categories: loans and receivables and financial assets at fair value through profit or loss. 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.

i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in non-current assets when the maturities are greater than 12 months after the balance sheet date.

ii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are those which acquired principally for the purpose of selling in the short term or if so designated by management. They are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

Financial assets at fair value through profit or loss are carried at fair value. Unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" are included in the income statement in the period in which they arise.

The fair values of quoted investment are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market input and relying as little as possible on entity-specific input.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

h) Assets under leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Leases that substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as finance leases.

i) Leases – where the Company is the lessee

Payments made under operating leases (net of any incentives received from the leasing company) are expensed in the income statement on a straight-line basis over the lease periods.

ii) Leases – where the Company is the lessor

When the Company leases out assets under operating leases, the assets are included in the balance sheet according to their nature and where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in 3d) above. Revenue arising from assets leased out under operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 3m) below.

Finance leases for assets leased out are leases of assets which contain a provision giving the lessee an option to acquire legal title to the assets upon the fulfillment of certain conditions stated in the contracts.

When assets are leased out under a finance lease, the present value of the minimum lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

i) Trade and other receivables

Trading and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicator that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement within other operating expenses.

j) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly investments with original maturities of three months or less, and bank overdrafts (if any).

k) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

l) **Deferred income 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 consolidated financial statements. However, the deferred income tax, if it is not accounted for, 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 recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, jointly controlled entities and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

m) **Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- i) the sale of goods is recognised when the merchandise is shipped and title has passed;
- ii) interest income is recognised on a time proportion basis using the effective interest method;
- iii) rental income is recognised on the straight-line basis over the terms of the leases; and
- iv) income on sale of investments is recognised when the title to the related investments is passed to the purchaser.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

n) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligations; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

o) Employee benefits

i) *Retirement benefits scheme*

The Group operates a defined contribution mandatory provident fund retirement benefits scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operates in the mainland of The People's Republic of China ("Mainland China") are required to participate in a pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of its payroll costs to the pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the pension scheme.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

o) **Employee benefits** *(Continued)*

ii) *Employment leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

iii) *Bonus entitlements*

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

iv) *Share-based compensation*

The Company operates an equity-settled, share-based compensation plan. The fair value of the employees services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the option are exercised.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

p) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

q) Foreign currency translation

i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

iii) *Group companies*

The results and financial position of all the Group entities (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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

q) **Foreign currency translation** *(Continued)*

iii) *Group companies (Continued)*

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to Group's total equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

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.

r) **Dividend distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

s) **Related parties**

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decision, or vice versa, or where the Company and the party 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 parties 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 of any entity that is a related party of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

t) **Contingent liabilities and contingent assets**

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

4. FINANCIAL RISK MANAGEMENT

a) **Financial risk factors**

The Group's activities expose it to a variety of financial risks, including foreign exchange risk, credit risk, liquidity risk and interest rate risk.

i) *Foreign exchange risk*

The Group operates in the Mainland China and Hong Kong and is primarily exposed to foreign exchange risk arising from Renminbi. The foreign exchange risk exposure is not significant to the Group under the existing economic environment.

ii) *Credit risk*

The Group normally does not grant credit periods to its customers and has no significant concentrations of credit risk with any counterparty.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

4. FINANCIAL RISK MANAGEMENT *(Continued)*

a) Financial risk factors *(Continued)*

iii) Liquidity risk

The Group adopts a prudent liquidity risk management and maintains sufficient cash on hand and the availability of funding through an adequate amount of committed credit facilities.

iv) Interest rate risk

The Group is primarily exposed to interest rate risk arises from bank and other borrowings. The Group policy is to maintain all its bank and other borrowings in floating rate instruments except when the interest rate is expected to increase in the long term.

b) Fair value estimation

The fair values of the Group's financial assets at fair value through profit or loss are determined by reference to the methods below:

- the quoted market price when the related investment is traded in an active market;
- valuation techniques (including pricing models or discounted cash flow models); and
- the price for similar recent transactions, with adjustment on the difference in market conditions and circumstances.

The nominal values less impairment provision (as applicable) of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed below:

a) Investment properties

The fair values of investment properties are determined by independent valuers on an open market basis.

In making the judgement, consideration has been given to assumptions that are mainly based on market conditions existing at the balance sheet date and appropriate capitalization rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

b) Estimated provision for impairment of trade and other receivables

The Group makes provision for doubtful debts based on an assessment of the recoverability of trade receivables and other receivables. Provision are applied to trade receivables and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and doubtful debt expenses in the period in which such estimate has been changed.

c) Estimate of fair value of financial assets at fair value through profit or loss

If information on current or recent prices of financial assets at fair value through profit or loss is not available, the fair values of financial assets at fair value through profit or loss are determined using valuation techniques (including discounted cash flow model or price/earnings multiple model). The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

d) Impairment of goodwill and other assets

The Group tests annually whether goodwill and other assets has suffered any impairment in accordance with accounting policies stated in note 3(c). Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset or a cash generating units is determined based on value-in-use calculations which require the use of assumptions and estimates.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

e) Useful lives and residual values of property, plant and equipment

Management determines the estimated useful lives and residual values for the Group's property, plant and equipment. The Group will revise the depreciation charge where useful lives and residual values are different to previous estimates, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

6. TURNOVER, REVENUE AND SEGMENT INFORMATION

a) Revenues recognised during the year are as follows:

	2006 HK\$'000	2005 HK\$'000 <i>(Restated)</i>
Turnover		
Property investment	4,542	4,095
Provision of financial services	858	881
	5,400	4,976

b) Operating lease arrangement

The Group leases out investment properties under lease terms generally in the range of three to five years.

As at 31 March 2006, the future aggregate minimum lease receivables under non-cancellable operating leases are as follows:

	Group	
	2006 HK\$'000	2005 HK\$'000
Not later than one year	4,580	4,474
Later than one year but not later than five years	4,146	8,524
	8,726	12,998

c) A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

6. TURNOVER, REVENUE AND SEGMENT INFORMATION *(Continued)*

In accordance with the Group's internal financial reporting, the Group has determined that business segments are presented as the primary reporting format and geographical segments as the secondary reporting format. The continuing operations of the Group is organised into two main business segments, namely property investment and provision of financial services, and are located in Mainland China and Hong Kong.

Primary reporting format – business segments

	2006			Discontinued operation Trading of precision components processing equipment HK\$'000
	Continuing operations			
	Property investment HK\$'000	Provision of financial services HK\$'000	Total HK\$'000	
Segment revenue				
Sales and services to external customers	4,542	858	5,400	-
Other revenue	182	121	303	-
Total	<u>4,724</u>	<u>979</u>	<u>5,703</u>	<u>-</u>
Segment results	<u>2,316</u>	<u>728</u>	<u>3,044</u>	<u>(1,139)</u>
Fair value loss on investment properties			(943)	
Unallocated income			2,375	
Unallocated costs			<u>(4,808)</u>	
Operating loss			(332)	
Finance costs			<u>(967)</u>	
Loss before income tax from continuing operations			(1,299)	
Income tax expenses			<u>(454)</u>	
Loss for the year from continuing operations			(1,753)	
Loss for the year from discontinued operation			<u>(1,139)</u>	
Loss for the year			<u>(2,892)</u>	

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

6. TURNOVER, REVENUE AND SEGMENT INFORMATION *(Continued)*

Primary reporting format – business segments *(Continued)*

	2006			Discontinued operation
	Continuing operations			
	Property investment <i>HK\$'000</i>	Provision of financial services <i>HK\$'000</i>	Total <i>HK\$'000</i>	Trading of precision processing equipment <i>HK\$'000</i>
Segment assets	150,352	15,543	165,895	1
Unallocated assets			18,524	-
Total assets			<u>184,419</u>	<u>1</u>
Segment liabilities	43,299	2,863	46,162	-
Unallocated liabilities			4,833	-
Total liabilities			<u>50,995</u>	<u>-</u>
Other segment items information:				
Depreciation and amortisation				
– segment	1,026	-	1,026	
– unallocated			179	
Unrealised gain on financial assets at fair value through profit or loss				
– segment	-	120	120	

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

6. TURNOVER, REVENUE AND SEGMENT INFORMATION *(Continued)*

Primary reporting format – business segments *(Continued)*

	2005 <i>(Restated)</i>			Discontinued operation
	Continuing operations			
	Property investment <i>HK\$'000</i>	Provision of financial service <i>HK\$'000</i>	Total <i>HK\$'000</i>	Trading of precision components processing equipment <i>HK\$'000</i>
Segment revenue				
Sales and services to external customers	4,095	881	4,976	48
Other revenue	–	79	79	1,070
Total	<u>4,095</u>	<u>960</u>	<u>5,055</u>	<u>1,118</u>
Segment results	<u>2,448</u>	<u>937</u>	<u>3,385</u>	<u>(486)</u>
Write-back of provision for legal and professional costs			409	
Unallocated income			1,098	
Unallocated costs			(21,393)	
Operating loss			(16,501)	
Finance costs			(464)	
Loss before income tax from continuing operations			(16,965)	
Income tax expense			(458)	
Loss for the year from continuing operations			(17,423)	
Loss for the year from discontinued operation			(486)	
Loss for the year			<u>(17,909)</u>	

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

6. TURNOVER, REVENUE AND SEGMENT INFORMATION *(Continued)*

Primary reporting format – business segments *(Continued)*

	2005 <i>(Restated)</i>			Discontinued operation Trading of precision components processing equipment HK\$'000
	Continuing operations			
	Property investment HK\$'000	Provision of financial service HK\$'000	Total HK\$'000	
Segment assets	121,566	12,776	134,342	86
Unallocated assets			23,562	–
Total assets			<u>157,904</u>	<u>86</u>
Segment liabilities	13,284	145	13,429	23
Unallocated liabilities			8,526	–
Total liabilities			<u>21,955</u>	<u>23</u>
Other segment items information:				
Capital expenditure				
– segment	40,000	–	40,000	
– unallocated			10	
Depreciation and amortisation				
– segment	1,026	12	1,038	
– unallocated			379	
Unrealised loss on short term listed investments				
– segment	–	391	391	
– unallocated			4,063	

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

6. TURNOVER, REVENUE AND SEGMENT INFORMATION *(Continued)*

Secondary reporting format – geographical format

	2006				
	Turnover HK\$'000	Other revenue HK\$'000	Total HK\$'000	Segment assets HK\$'000	Capital expenditure HK\$'000
Continuing operations					
Hong Kong	858	2,496	3,354	34,068	-
Mainland China	4,542	182	4,724	150,352	-
	<u>5,400</u>	<u>2,678</u>	<u>8,078</u>	<u>184,420</u>	<u>-</u>
	2005 <i>(Restated)</i>				
	Turnover HK\$'000	Other revenue HK\$'000	Total HK\$'000	Segment assets HK\$'000	Capital expenditure HK\$'000
Continuing operations					
Hong Kong	881	1,177	2,058	36,338	10
Mainland China	4,095	-	4,095	121,566	40,000
	<u>4,976</u>	<u>1,177</u>	<u>6,153</u>	<u>157,904</u>	<u>40,010</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

7. DISCONTINUED OPERATION

On 23 July 2004, the Board of Directors of the Company passed a resolution approving the discontinuance of the business of Ideal Far East Limited, which was incorporated in Hong Kong and engaged in trading of precision components processing equipment.

The turnover, results, cash flows and net assets of Ideal Far East Limited reflected in the consolidated financial statements are as follows:

	2006 HK\$'000	2005 HK\$'000
Turnover	-	48
Cost of sales	-	-
Gross profit	-	48
Other gains, net	30	1,070
Administrative expenses	(1,169)	(1,524)
Other operating expenses	-	(80)
Loss for the year	<u>(1,139)</u>	<u>(486)</u>
Net operating cash outflow	(1,139)	(486)
Net investing cash flows	-	-
Total net cash outflow	<u>(1,139)</u>	<u>(486)</u>
Total assets	1	86
Total liabilities	-	(23)
Net assets	<u>1</u>	<u>63</u>

Loss for the year from discontinued operation is stated after charging the followings:

	2006 HK\$'000	2005 HK\$'000
Operating lease rental for land and building	-	49
Staff costs	<u>387</u>	<u>1,255</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

8. OPERATING LOSS

Operating loss is stated after crediting and charging the followings:

	2006 HK\$'000	2005 HK\$'000 (Restated)
Crediting		
Net rental income	3,747	3,556
Interest income	861	881
Unrealised gain on financial assets at fair value through profit or loss	120	-
Gain on disposal of fixed assets, net	-	161
Gain on disposal of other investments	-	75
Exchange gains, net	758	-
Write back of provision for bad and doubtful debts	-	778
	<hr/> <hr/>	<hr/> <hr/>
Charging		
Depreciation	179	391
Minimum lease payments under operating leases on leasehold land and buildings	1,014	1,394
Auditors' remuneration	380	260
Amortisation of goodwill*	-	2,951
Amortisation of leasehold land	1,026	1,026
Staff costs (note 9)	1,632	4,187
Loss on disposal of property, plant and equipment*	14	-
Loss on disposal of short term investments*	-	5,415
Loss on disposal of financial assets at fair value through profit or loss*	1,408	-
Provision for impairment on investment	-	81
Unrealised loss on short term investment*	-	4,454
Written off of property, plant and equipment*	9	-
	<hr/> <hr/>	<hr/> <hr/>

* Included in "Other operating expenses" on the face of the consolidated income statement.

9. STAFF COSTS (INCLUDING DIRECTOR'S EMOLUMENTS)

	2006 HK\$'000	2005 HK\$'000
Salaries, housing and other allowances, benefits in kind	1,584	4,065
Retirement benefits costs	48	122
	<hr/> <hr/>	<hr/> <hr/>
	1,632	4,187

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

9. STAFF COSTS (INCLUDING DIRECTOR'S EMOLUMENTS) *(Continued)*

a) Directors' emoluments

The aggregate amounts of emoluments paid to the directors of the Company during the year are as follows:

	2006 HK\$'000	2005 HK\$'000
Salaries, housing and other allowances, benefits in kind	-	455
Retirement benefits costs	-	6
	<u>-</u>	<u>6</u>
	<u>-</u>	<u>461</u>

No directors' remuneration had been paid for the year ended 31 March 2006.

The remuneration of every director for the year ended 31 March 2005 is set out below:

		Salaries, housing and other allowances, benefits in kind	Retirement benefits costs	Total
	<i>Note</i>	HK\$'000	HK\$'000	HK\$'000
Mr. Cheong Tin Yau	<i>(i)</i>	100	1	101
Mr. Lam Kwan Sing		355	5	360
		<u>455</u>	<u>6</u>	<u>461</u>

Note:

(i) resigned during the year ended 31 March 2005.

No fees had been paid by the Group to the non-executive directors for the current and prior years.

The above analysis includes nil (2005: one) individual whose emoluments were among the five highest paid individuals in the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

9. STAFF COSTS (INCLUDING DIRECTOR'S EMOLUMENTS) (Continued)

b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include nil (2005: one) director whose remuneration are reflected in the analysis above. The emoluments payable to the remaining five (2005: four) individuals during the year are as follows:

	2006 HK\$'000	2005 HK\$'000
Salaries, housing and other allowances, benefits in kind	1,086	1,264
Retirement benefits costs	42	34
	1,128	1,298

During the year, no emolument was paid by the Group to the director or the five highest paid individuals as an inducement to join or upon joining the Group, as compensation for loss of office. No directors waived or agreed to waive any emoluments during the year.

10. FINANCE COSTS

	2006 HK\$'000	2005 HK\$'000
Interest on bank borrowings wholly repayable within one year	511	–
Interest on other borrowings wholly repayable within one year	79	–
Interest on amounts due to securities dealers	359	432
Interest on finance leases	18	32
	967	464

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

11. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the current and prior years.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, practices and interpretations in respect thereof.

The amount of income tax charged to the consolidated income statement represents:

	Group	
	2006	2005
	HK\$'000	HK\$'000
Hong Kong		
Charge for the year	-	-
Under-provision in prior years	-	48
Elsewhere	454	410
Deferred income tax	-	-
	<u>454</u>	<u>458</u>

The tax on the Group's loss before income tax from continuing operations differs from the theoretical amount that would arise using the taxation rate of Hong Kong where the Company operates and the difference is set out as follows:

	2006	2005
	HK\$'000	HK\$'000
		(Restated)
Loss before income tax from continuing operations	<u>(1,299)</u>	<u>(16,965)</u>
Tax at the statutory tax rate of 17.5% (2005: 17.5%)	(228)	(2,968)
Higher tax rate of other countries	454	410
Income not subject to tax	(646)	(7,325)
Expenses not deductible for tax	1,038	9,779
Under-provision in prior years	-	48
Tax losses utilised from previous periods	(164)	-
Tax losses not recognized	-	514
	<u>454</u>	<u>458</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

12. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders for the year ended 31 March 2006 dealt with in the financial statements of the Company, was HK\$148,000 (2005: HK\$2,576,000).

13. LOSS PER SHARE

The calculation of basic loss per share is based on loss attributable to shareholders for the year of HK\$2,892,000 (2005: HK\$17,909,000 (as restated)) and on 433,302,000 (2005: 433,302,000) ordinary shares in issue during the year. Details of basic loss per share are analysed as follows:

	2006 HK cents	2005 <i>HK cents</i> (Restated)
Basic loss per share		
– continuing operations	(0.41)	(4.02)
– discontinued operation	(0.26)	(0.11)
	<hr/> (0.67) <hr/>	<hr/> (4.13) <hr/>

As there are no dilutive potential ordinary shares as at 31 March 2006 and 2005, the dilutive loss per share is equal to the basic loss per share.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

14. FIXED ASSETS

Group

	Building HK\$'000	Leasehold improve- ments HK\$'000	Furniture and office equipment HK\$'000	Motor vehicles HK\$'000	Sub-total HK\$'000	Investment properties HK\$'000	Interests in leasehold land held for own use under operating lease HK\$'000	Total fixed assets HK\$'000
Cost or valuation								
At 1 April 2004	4,625	431	8,572	1,158	14,786	75,472	-	90,258
Additions	-	-	10	-	10	-	-	10
Acquisition of subsidiaries (note 28b)	-	-	-	-	-	-	40,000	40,000
Disposals	(4,625)	(431)	(327)	(661)	(6,044)	-	-	(6,044)
At 31 March 2005, as restated	-	-	8,255	497	8,752	75,472	40,000	124,224
Representing								
Cost	-	-	8,255	497	8,752	-	40,000	48,752
Valuation	-	-	-	-	-	75,472	-	75,472
	-	-	8,255	497	8,752	75,472	40,000	124,224
Accumulated depreciation/ amortisation and impairment								
At 1 April 2004								
- as previously reported	158	353	8,291	387	9,189	-	-	9,189
- effect on adoption of HKAS 17	-	-	-	-	-	-	256	256
- as restated	158	353	8,291	387	9,189	-	256	9,445
Provided during the year	53	54	55	229	391	-	1,026	1,417
Disposals	(211)	(407)	(147)	(361)	(1,126)	-	-	(1,126)
As 31 March 2005, as restated	-	-	8,199	255	8,454	-	1,282	9,736
Net book value								
At 31 March 2005, as restated	-	-	56	242	298	75,472	38,718	114,488

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

14. FIXED ASSETS (Continued)

Group (Continued)

	Building HK\$'000	Leasehold improve- ments HK\$'000	Furniture and office equipment HK\$'000	Motor vehicles HK\$'000	Sub-total HK\$'000	Investment properties HK\$'000	Interests in leasehold land held for own use under operating lease HK\$'000	Total fixed assets HK\$'000
Cost or valuation								
At 1 April 2005								
- as previously reported	39,200	-	8,255	497	47,952	75,472	-	123,424
- effect on adoption of HKAS 17	(39,200)	-	-	-	(39,200)	-	40,000	800
	-	-	8,255	497	8,752	75,472	40,000	124,224
- opening balance adjustment under HKAS 40	-	-	-	-	-	(472)	-	(472)
- as restated	-	-	8,255	497	8,752	75,000	40,000	123,752
Fair value loss	-	-	-	-	-	(943)	-	(943)
Disposal	-	-	(69)	-	(69)	-	-	(69)
Exchange difference	-	-	-	-	-	1,755	-	1,755
At 31 March 2006	-	-	8,186	497	8,683	75,812	40,000	124,495
Representing:								
Cost	-	-	8,186	497	8,683	-	40,000	48,683
Valuation	-	-	-	-	-	75,812	-	75,812
	-	-	8,186	497	8,683	75,812	40,000	124,495
Accumulated depreciation/ amortisation and impairment								
At 1 April 2005								
- as previously reported	588	-	8,199	255	9,042	-	-	9,042
- effect on adoption of HKAS 17	(588)	-	-	-	(588)	-	1,282	694
- as restated	-	-	8,199	255	8,454	-	1,282	9,736
Charge for the year	-	-	17	162	179	-	1,026	1,205
Written back on disposal	-	-	(43)	-	(43)	-	-	(43)
At 31 March 2006	-	-	8,173	417	8,590	-	2,308	10,898
Net book value								
At 31 March 2006	-	-	13	80	93	75,812	37,692	113,597

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

14. FIXED ASSETS (Continued)

Notes:

- a) The analysis of net book value of properties is as follows:

	2006 HK\$'000	2005 HK\$'000 (Restated)
In Mainland China		
– held on leases of between 10 and 50 years	<u>113,504</u>	<u>114,190</u>
Representing:		
Investment properties	75,812	75,472
Interest in leasehold land held for own use under operating leases	<u>37,692</u>	<u>38,718</u>
	<u>113,504</u>	<u>114,190</u>

- b) The Group's investment properties were stated at open market value basis by reference to a valuation report issued by Chung, Chan & Associates, an independent professionally qualified valuers on 31 March 2006. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 6(b) to the financial statements.
- c) The net book value of the Group's fixed assets held under finance leases included in the total amount of motor vehicles at 31 March 2006 amounted to HK\$80,000 (2005: HK\$242,000).
- d) The Group's leasehold land with carrying amount of HK\$37,692,000 (2005: HK\$Nil) are pledged as securities for the bank loan (note 21(a)).
- e) The accumulated depreciation/amortisation and impairment includes an amount of HK\$5,526,000 (2005: HK\$5,526,000) representing the impairment losses on furniture, office equipment and motor vehicles provided for the year ended 31 March 2004.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

15. GOODWILL

		Company	
		2006	2005
		HK\$'000	HK\$'000
	<i>Note</i>		
Cost or carrying amount			
At 1 April		19,674	–
Acquisition of subsidiaries	28(b)	–	19,674
Prospective effect of adopting HKFRS 3		(2,951)	–
		<hr/> 16,723	<hr/> 19,674
At 31 March			
Accumulated amortisation and impairment losses			
At 1 April		2,951	–
Amortisation for the year		–	2,951
Prospective effect of adopting HKFRS 3		(2,951)	–
		<hr/> –	<hr/> 2,951
At 31 March			
Net carrying value		<hr/> 16,723	<hr/> 16,723

16. LOAN AND RECEIVABLES, UNSECURED

		Group	
		2006	2005
		HK\$'000	HK\$'000
Non-current portion		–	5,294
Current portion		12,642	7,348
		<hr/> 12,642	<hr/> 12,642
Less: Impairment loss		–	–
		<hr/> 12,642	<hr/> 12,642

The loan receivables of HK\$12,642,000 (2005: HK\$12,642,000) bear interest at the Hong Kong dollar prime rate per annum and are repayable within one year from the dates on which the loans are granted.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

17. INTEREST IN SUBSIDIARIES

	Company	
	2006 HK\$'000	2005 HK\$'000
Unlisted shares, at cost	153,151	153,151
Due from subsidiaries	159,011	159,204
	<u>312,162</u>	<u>312,355</u>
Less: Impairment loss	(132,000)	(132,000)
	<u>180,162</u>	<u>180,355</u>
Due to subsidiaries	(25,951)	(25,951)
	<u>154,211</u>	<u>154,404</u>

The balances with the subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
New Times Holdings Limited	British Virgin Islands/ Hong Kong	Ordinary HK\$1,000	100%	-	Investment holding
Elegant Pool Limited	British Virgin Islands/ Mainland China	Ordinary US\$100	-	100%	Property investment
Jefta Holding Limited	British Virgin Islands/ Hong Kong	Ordinary US\$100	-	100%	Investment holding/ provision of financial services
New Times Finance Limited	Hong Kong	Ordinary HK\$20	-	100%	Provision of financial services
Richest Legend Limited	Hong Kong	Ordinary HK\$2	-	100%	Provision of administrative and support services
Weiqiu Industrial (Shenzhen) Company Limited*	PRC	Ordinary RMB10,000,000	-	100%	Property investment

* wholly-owned foreign enterprise

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

17. INTEREST IN SUBSIDIARIES *(Continued)*

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

18. PROPERTIES HELD FOR/UNDER DEVELOPMENT FOR SALE

	Group	
	2006 HK\$'000	2005 HK\$'000
In Mainland China	<u>16,844</u>	<u>4,963</u>

The amount of properties held for/under development for sale expected to be completed after more than one year is HK\$Nil (2005: HK\$4,963,000).

19. TRADE RECEIVABLES

Credit is offered to customers following a financial assessment of the customers or to those customers which have an established payment record. The Group usually allows an average credit period of 90 days to its customers and seeks to maintain strict control over its outstanding receivables. The following is an aged analysis of the trade receivables as at the balance sheet date, based on the invoice date.

	Group	
	2006 HK\$'000	2005 HK\$'000
Less than 90 days	1,151	1,119
91 – 180 days	1,238	449
Over 181 days	<u>1,466</u>	<u>275</u>
	3,855	1,843
Allowance for bad and doubtful debts	<u>-</u>	<u>-</u>
	<u>3,855</u>	<u>1,843</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS /SHORT TERM INVESTMENTS

	Group	
	2006 HK\$'000	2005 HK\$'000
Listed investments, at fair value:		
– Hong Kong	<u>1,315</u>	<u>3,247</u>
Market value of listed equity investments:		
– At balance sheet date	<u>1,315</u>	<u>3,247</u>
– At date of report	<u>1,135</u>	<u>1,835</u>
Carrying amount analysed for reporting purposes as:		
Short term investments	–	3,247
Financial assets at fair value through profit or loss	<u>1,315</u>	–
	<u>1,315</u>	<u>3,247</u>

Upon the application of HKAS 39 on 1 April 2005, the Group's short term investments as at 31 March 2005 were reclassified to financial assets at fair value through profit or loss (note 2c)).

21. BANK LOAN AND OTHER BORROWING

	Note	Group		Company	
		2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Bank loan, secured	(a)	<u>9,658</u>	–	–	–
Unsecured other loan	(b)	<u>1,501</u>	–	<u>1,501</u>	–
		<u>11,159</u>	–	<u>1,501</u>	–

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

21. BANK LOAN AND OTHER BORROWING (Continued)

Notes:

- (a) Bank loan is repayable as follows:

	Group	
	2006	2005
	HK\$'000	HK\$'000
Within 1 year and included in current liabilities	<u>9,658</u>	<u>–</u>

The bank loan is bearing interest at 7.254% per annum and have been fully settled on 7 June 2006. As at the balance sheet date, the balance is secured by the leasehold land of the Group (note 14(d)) and a personal guarantee given from a director of one of the subsidiary of the Company.

- (b) Unsecured other loan is repayable as follows:

	Group and Company	
	2006	2005
	HK\$'000	HK\$'000
Within 1 year and included in current liabilities	<u>1,501</u>	<u>–</u>

The balance is unsecured, interest bearing at 18% per annum and have been fully settled on 13 April 2006.

22. PROVISIONS

Provision for legal and professional costs

	Group and Company	
	2006	2005
	HK\$'000	HK\$'000
Balance at beginning of year	–	302
Additional provision	–	806
Amounts utilised during the year	–	(699)
Reversal of utilised amounts	–	(409)
	<u>–</u>	<u>–</u>
At 31 March	<u>–</u>	<u>–</u>

The amount of the provision for legal and professional costs is estimated based on the legal opinion obtained from the independent legal advisors of the Group. Owing to the settlement of the litigation as detailed in note 29 to the financial statements, an excess of the provision amounting to HK\$nil (2005: HK\$409,000) was written back to the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

23. FINANCE LEASE PAYABLES

The Group leases certain of its motor vehicles. These leases are classified as finance leases and have remaining lease terms of two years.

At 31 March 2006, the total future minimum lease payments under finance leases and their present values were as follows:

Group

	Minimum lease payments 2006 HK\$'000	Minimum lease payments 2005 HK\$'000	Present value of minimum lease payments 2006 HK\$'000	Present value of minimum lease payments 2005 HK\$'000
Amounts payable:				
Within one year	103	103	92	93
In the second year	111	103	107	199
In the third to fifth years, inclusive	-	111	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total minimum finance lease payments	214	317	199	292
	<hr/>	<hr/>	<hr/>	<hr/>
Future finance charges	(15)	(25)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total net finance lease payables	199	292	199	292
	<hr/>	<hr/>	<hr/>	<hr/>
Portion classified as current liabilities	(92)	(93)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Long term portion	107	199	199	292
	<hr/>	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

24. DEFERRED INCOME TAX

Deferred income tax is calculated in full on temporary differences under the liability method using tax rates substantively enacted by the balance sheet date.

The movements of major deferred income tax liability recognised by the Group during the current and prior years is as follows:

	Revaluation of investment properties <i>HK\$'000</i>
Group	
At 1 April 2004	1,286
Charged to income statement	—
	<hr/>
At 31 March 2005 and at 1 April 2005	1,286
Charged to income statement	—
	<hr/>
At 31 March 2006	<u>1,286</u>

The Group has tax losses arising in Hong Kong of HK\$28,142,000 (2005: HK\$26,022,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred income tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

At 31 March 2006, there is no significant unrecognised deferred income tax liability (2005: HK\$Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

25. SHARE CAPITAL

	2006 HK\$'000	2005 HK\$'000
Authorised: 900,000,000 ordinary shares of HK\$0.10 each	<u>90,000</u>	<u>90,000</u>
Issued and fully paid: 433,302,000 (2005: 433,302,000) ordinary shares of HK\$0.10 each	<u>43,330</u>	<u>43,330</u>

There was no movement in the issued capital of the Company for the current and prior years.

Subsequent to the balance sheet date, the conversion right attaching to the convertible note with a face value of HK\$5,000,000 was exercised at a conversion price of HK\$0.165 per ordinary share of the Company, resulting in the issue of 30,303,030 new ordinary shares of the Company of HK\$0.10 each.

Further details of the convertible note are set out in note 31 to the financial statement.

26. SHARE OPTION SCHEMES

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants include any director, or proposed director, including independent non-executive director, employee or proposed employee, secondee, any holder of securities issued by any member of the Group, any business or joint venture partner, contractor, agent or representative, any person or entity that provides research, development or other technology support or advisory, consultancy, professional or other services to the Group, any supplier, producer or licensor of goods or services to the Group, any customer, licensee or distributor of goods or services of the Group, or any landlord or tenant of the Group or any substantial shareholder or company controlled by a substantial shareholder, or any company controlled by one or more persons belonging to any of the above classes of participants. The Scheme became effective on 30 August 2002 and, unless otherwise terminated earlier by shareholders in a general meeting, will remain in force for a period of 10 years from that date.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

26. SHARE OPTION SCHEMES (Continued)

Movements of the share options during the years ended 31 March 2006 and 2005 under the Scheme are set out below:

Name or category of participant	For the year ended 31 March 2005			Date of grant of share options	Exercise period of share options	Exercise price of share options*	Price of Company's shares at grant date of options**
	Number of share options						
	At 1 April 2004	Cancelled/lapsed during the year	At 31 March 2005				
Non-director	28,886,800	(28,886,800)	-	15 October 2002	1 February 2003 to 31 January 2008	\$0.67	\$0.67

Name or category of participant	For the year ended 31 March 2006			Date of grant of share options	Exercise period of share options	Exercise price of share options*	Price of Company's shares at grant date of options**
	Number of share options						
	At 1 April 2005	Cancelled/lapsed during the year	At 31 March 2006				
Non-director	-	-	-	15 October 2002	1 February 2003 to 31 January 2008	\$0.67	\$0.67

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

** The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options. The price of the Company's shares disclosed as at the date of the exercise of the share options is the weighted average of the Stock Exchange closing prices over all of the exercises of options within the disclosure category.

During prior year, 14,443,400 share options lapsed. Pursuant to an ordinary resolution passed at a special general meeting held on 28 June 2004, the outstanding 14,443,400 share options were cancelled. No consideration was payable by the Company for the cancellation of the share options.

No share option was granted or exercised during the year ended 31 March 2006. As at 31 March 2006, there was no share option outstanding under the Scheme.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

27. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 23 of the financial statements.

The capital reserve of the Group represents the difference between the nominal value of ordinary shares issued by the Company and the aggregate of the share capital and share premium of subsidiaries acquired through a reorganisation in relation to the listing of the Company's shares on the Stock Exchange in October 1998.

(b) Company

	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2004	94,471	122,864	(104,992)	112,343
Loss for the year	—	—	(2,576)	(2,576)
At 31 March 2005 and at 1 April 2005	94,471	122,864	(107,568)	109,767
Loss for the year	—	—	(148)	(148)
At 31 March 2006	94,471	122,864	(107,716)	109,619

The contributed surplus of the Company represents the difference between the aggregate net asset value of subsidiaries acquired as a result of the reorganisation prepared for the listing of the Company's shares on the Stock Exchange and the nominal amount of the Company's shares issued for the acquisition. Under Section 54 of the Bermuda Companies Act 1981, contributed surplus is available for distribution as dividends to shareholders subject to the provisions of the Company's bye-laws and provided that immediately following the distribution, the Company is able to pay its liabilities as and when they fall due or the realisable value of the Company's assets would not be less than the aggregate of its liabilities and its issued share capital and share premium account.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of loss before income tax from continuing operations to net cash (used in)/from continuing operations

	2006 HK\$'000	2005 HK\$'000 (Restated)
Loss before income tax from continuing operations	(1,299)	(16,965)
Finance costs	967	464
Depreciation on property, plant and equipment	179	391
Amortisation of leasehold land	1,026	1,026
Fair value loss on investment properties	943	-
Interest income	(861)	(881)
Loss/(gain) on disposal of fixed assets, net	14	(161)
Gain on disposal of other investments	-	(75)
Amortisation of goodwill	-	2,951
Provision for impairment on investment	-	81
Loss on disposal of short term investments	-	5,415
Loss on disposal of financial assets at fair value through profit or loss	1,408	-
Unrealised loss on short term investment	-	4,454
Written off of property, plant and equipment	9	-
Write back of provision for legal and professional cost	-	(409)
Write back of provision for bad and doubtful debts	-	(778)
Unrealised gain on financial assets at fair value through profit or loss	(120)	-
Operating profit/(loss) before working capital changes	2,266	(4,487)
Increase in properties held for/under development for sale	(11,881)	(4,963)
(Increase)/decrease in trade receivable	(2,012)	272
(Increase)/decrease in prepayments, deposits and other receivables	(16,305)	387
Increase in deposit received	22,088	-
(Decrease)/increase in other payables and accrued liabilities	(4,568)	5,671
Decrease in loan receivables	-	27,358
Decrease in short term listed investment	-	2,429
Net cash (used in)/from continuing operations	<u>(10,412)</u>	<u>26,667</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Acquisition of subsidiaries

	Notes	2006 HK\$'000	2005 HK\$'000
Net assets acquired:			
Leasehold land	14	-	40,000
Other receivables		-	233
Cash and bank balances		-	93
Other payables and accrued liability		-	(5,000)
		-	35,326
Goodwill arising from the acquisition	15	-	19,674
		-	55,000
Satisfied by:			
Cash		-	55,000

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	2006 HK\$'000	2005 HK\$'000
Cash consideration	-	(55,000)
Cash and bank balances acquired	-	93
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	-	(54,907)

Pursuant to a conditional agreement dated 29 March 2004, the Group acquired the entire issued share capital of Smart Wave Limited ("Smart Wave") and the shareholder loan owing by Smart Wave to the vendor for the considerations of approximately HK\$21.3 million and HK\$33.7 million, respectively.

Smart Wave was incorporated in the British Virgin Islands and was engaged in investment holding company whose principal asset is the equity interest in a wholly owned subsidiary, Weiqiu Industrial (Shenzhen) Co., Ltd. ("Weiqiu"). Weiqiu is a property holding company whose principal asset is the land situated on Shenzhen, PRC and the development right thereon. The acquisition was completed on 9 July 2004.

Since its acquisition, the subsidiary contributed HK\$Nil to the Group's turnover and a loss of HK\$934,000 to the consolidated loss after tax for the year ended 31 March 2005.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Disposal of subsidiaries

	2006 HK\$'000	2005 HK\$'000
Net assets disposed of:		
Investment in securities	-	4,967
Other payables and accrued liabilities	-	(2,259)
	<hr/>	<hr/>
	-	2,708
Gain on disposal of subsidiaries	-	-
	<hr/>	<hr/>
	-	2,708
	<hr/> <hr/>	<hr/> <hr/>
Satisfied by:		
Cash	-	2,708
	<hr/> <hr/>	<hr/> <hr/>

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2006 HK\$'000	2005 HK\$'000
Cash consideration	-	2,708
Cash and bank balances disposed of	-	-
	<hr/>	<hr/>
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	-	2,708
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

29. LITIGATION

On 8 March 2001, Kistefos Investment A.S. ("Kistefos"), a shareholder of the Company which owned approximately 14.4% (2005: 14.4%) of the issued share capital of the Company at the balance sheet date, filed a petition (the "Petition") against the Company and a former director of the Company, in the Supreme Court of Bermuda (the "Court") under Section 111(1) of the Bermuda Companies Act 1981. The Petition was based on an alleged claim that certain affairs of the Company had been conducted in a manner that was oppressive or unfairly prejudicial to the interests of certain shareholders of the Company, including Kistefos itself. Pursuant to the Petition, Kistefos sought an order from the Court to either (i) force the Company or the former director to purchase all the shares of the Company held by Kistefos, at a fair value to be determined by the Court; or (ii) wind-up the Company by the Court.

After taking legal advice from its legal advisors in Bermuda, the Company made a strike out application in relation to the Petition, the Court hearing of which was completed in September 2001. In October 2001, the Court struck out the claim of Kistefos to wind-up the Company, and the remaining relief claimed by Kistefos in the Petition remains to be dealt with by the Court in subsequent hearings. In December 2001, the Company appealed to the Court of Appeal of Bermuda to strike out the entire Petition. In February 2002, Kistefos filed a notice of intention to the Court of Appeal of Bermuda to appeal against the decision made by the Court to strike out the claim to wind-up the Company. The hearing of the appeal was conducted in June 2002 and the Court of Appeal of Bermuda dismissed both the appeal of the Company and the cross-appeal of Kistefos. As a result, the claim by Kistefos to wind-up the Company remains struck out while the remaining relief claim was dealt with by the Court on 28 June 2004.

On 8 July 2004, a compromise was reached between Kistefos and the Company in which a consent order (the "Consent Order") was issued by the Court for the parties. According to the Consent Order, the two parties will bear all of their own costs of the Petition and the Company and Kistefos have no further liability to each other for cost or otherwise in respect of the Petition. On 12 July 2004, a notice of discontinuance was filed by Kistefos to the Court to discontinue the Petition under the terms of the Consent Order.

Accordingly, the Company has written back the provision for legal and professional fees amounting to HK\$409,000 (note 22) to the consolidated income statement for the year ended 31 March 2005.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

30. COMMITMENTS

(a) Capital commitments

As at the balance sheet date, the Group had capital commitments as follows:

	2006 HK\$'000	2005 <i>HK\$'000</i>
Capital commitments in respect of		
– Construction cost of properties under development*	<u>54,488</u>	<u>62,472</u>

* Pursuant to the contractual arrangement with the constructor of the land, the constructor will recover the construction cost out of the net proceeds from the sale or rental generated from the properties constructed on the land in the 18 month period from completion of the construction of the properties on the land. In the event that the net proceeds from sale or rental generated over the aforesaid period is insufficient to repay the constructor the full amount of the construction cost, the shortfall would be satisfied by the transfer to certain properties on the land with an equivalent market value (calculated on the basis of the then prevailing market price of those properties) to the constructor in full and final settlement of any liability of the Group towards the constructor in valuation to the construction cost.

(b) Commitments under operating leases

The Group leases its offices under operating lease arrangements. Leases for properties are negotiated for a term of two years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2006 HK\$'000	2005 <i>HK\$'000</i>
Not later than one year	636	810
Later than one year but not later than five years	<u>-</u>	<u>636</u>
	<u>636</u>	<u>1,446</u>

The Company did not have any significant operating lease arrangements as at 31 March 2006 (2005: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2006
(Continued)

31. EVENT AFTER THE BALANCE SHEET DATE

Issue of 2% due 2008 convertible notes

On 7 April 2006, the Company issued the convertible notes in an aggregate principal amount of HK\$5,000,000 to an independent third party (the "Subscriber") pursuant to the subscription agreement dated 30 March 2006. The convertible notes shall bear interest at the rate of 2% per annum on the outstanding principal amount of the convertible notes and the Subscriber will have the right to convert the whole integral multiple of HK\$1,000,000 of the principal amount of the convertible notes into shares at any time before the maturity date falling on the second anniversary of the date of issue of the convertible notes at an initial conversion price of HK\$0.165 per share (subject to adjustments).

On 12 April 2006, the Subscriber exercised the conversion rights attached to the convertible notes in the amount of HK\$3,000,000 and the outstanding principal amount of the convertible note was reduced to HK\$2,000,000. As a result, the Company issued a total number of 18,181,818 new shares.

Further on 23 May 2006, the Subscriber exercised the remaining conversion rights attached to the convertible notes in the amount of HK\$2,000,000. Upon exercise of the conversion rights attached to the outstanding amount of the convertible note, the Company issued further number of 12,121,212 new shares.

32. COMPARATIVE FIGURES

Certain comparative figures have been adjusted as a result of the changes in accounting policies for investment properties and leasehold land, details of which are set out in note 2.