

NOTES TO THE FINANCIAL STATEMENTS

30 September 2006

1. Basis of Preparation and Accounting Policies

The unaudited condensed consolidated interim financial statements of the Group are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Main Board Listing Rules”).

The accounting policies and the basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those used in the audited annual financial statements for the year ended 31 March 2006, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current Period’s financial statements:

HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The adoption of the above-mentioned HKFRSs has had no material impact on the accounting policies of the Group and the methods of computation in the Group’s unaudited condensed consolidated interim financial statements.

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The Board expects that the adoption of the pronouncements listed below will not have any significant impact on the Group’s result and financial position in the period of initial application.

1. **Basis of Preparation and Accounting Policies (continued)**

HKAS 1 Amendment	Capital Disclosures (effective for annual periods beginning on or after 1 January 2007)
HKFRS 7	Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2007)
HK(IFRIC)-Int 8	Scope of HKFRS 2 (effective for annual periods beginning on or after 1 May 2006)
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006)

2. **Revenue**

Revenue for the Period represents: (i) the marketing service fee income, which is recognised as the underlying services have been rendered; (ii) interest income received and receivable, which is recognised on an accrual basis, using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and (iii) gain on disposal of equity investments at fair value through profit and loss.

An analysis of revenue is as follows:

	For the six months ended 30 September	
	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)
Marketing service fee income	11,094	32,547
Bank interest income	3,007	1,784
Gain on disposal of equity investments at fair value through profit and loss	35	148
	<u>14,136</u>	<u>34,479</u>

3. Segment Information

The details of the Group's primary reporting segment of business segments are as follows:

(a) the investment holding segment engages in investments in equity investments; and (b) the marketing service segment engages in the provision of marketing services.

The unaudited revenue and results for the Group's business segments for the Period are as follows:

	Investment holding		Marketing service		Consolidated	
	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited & Restated)	(Unaudited)	(Unaudited & Restated)	(Unaudited)	(Unaudited & Restated)
Segment revenue:						
Sales to external customers	3,042	1,932	11,094	32,547	14,136	34,479
Other gains	349	254	—	—	349	254
Total	<u>3,391</u>	<u>2,186</u>	<u>11,094</u>	<u>32,547</u>	<u>14,485</u>	<u>34,733</u>
Segment results	<u>(646)</u>	<u>(38)</u>	<u>(838)</u>	<u>9,668</u>	<u>(1,484)</u>	<u>9,630</u>
Unallocated gains					5	—
Finance costs					(109)	—
Corporate and other unallocated expenses					535	(752)
Profit/(Loss) before tax					(1,053)	8,878
Tax					—	(2,417)
Profit/(Loss) for the Period					<u>(1,053)</u>	<u>6,461</u>

4. Other Gains

An analysis of other gains is as follows:

	For the six months ended 30 September	
	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)
Unrealised gains on changes in fair values of equity investments at fair value through profit and loss, net	221	253
Others	128	1
	<u>349</u>	<u>254</u>

5. Profit/(Loss) Before Tax

Profit/(Loss) before tax is arrived at after charging:

	For the six months ended 30 September	
	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)
Depreciation	680	142
Finance cost – interest on finance leases	109	–
Unrealised loss on changes in fair values of equity investments at fair value through profit and loss, net	<u>79</u>	<u>–</u>

6. Tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits in Hong Kong during the Period (2005: Nil). Tax on profits assessable elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	For the six months ended 30 September	
	2006	2005
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current – elsewhere	–	2,417

The Group has substantial tax losses arising in Hong Kong and in Taiwan that are available indefinitely and for the future five years ending 31 March 2011, respectively, for offsetting against future taxable profits of the companies in which the losses arose. Deferred 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.

7. Earnings/(Loss) Per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of basic earnings/(loss) per share is based on the loss for the Period attributable to ordinary equity holders of the parent of approximately HK\$1,052,000 (2005: profit of approximately HK\$6,461,000) and the weighted average number of 2,400,001,640 (2005: 2,400,001,640) ordinary shares in issue during the Period.

Diluted earnings/(loss) per share amount for the periods ended 30 September 2005 and 2006 have not been disclosed as no dilutive events existed during these periods.

8. Interim Dividend

The Directors do not propose the payment of any interim dividends in respect of the Period (2005: Nil).

9. Property, Plant and Equipment

During the Period, the Group spent approximately HK\$5,837,000 on acquisitions of items of property, plant and equipment (31 March 2006: approximately HK\$190,000).

10. Trade Receivables

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the balance sheet date, based on the payment due date, is as follows:

	30 September 2006 HK\$'000 (Unaudited)	31 March 2006 HK\$'000 (Audited)
Within 1 month	1,308	3,010
1 to 2 months	52	157
2 to 3 months	2	76
Over 3 months	—	20
	<u>1,362</u>	<u>3,263</u>

The carrying amounts of the trade receivables approximate to their fair values.

11. Equity Investments at Fair Value Through Profit or Loss

	30 September 2006 HK\$'000 (Unaudited)	31 March 2006 HK\$'000 (Audited)
Unlisted equity investments, at fair value	<u>41,590</u>	<u>45,141</u>

The fair values of unlisted equity investments at fair value through profit or loss have been estimated using a valuation technique based on assumptions that are not supported by observable market prices or rates. The Directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the unaudited condensed consolidated balance sheet, and the related changes in fair values, which are recorded in the unaudited condensed consolidated income statement, are reasonable, and that they are the most appropriate values at the balance sheet date.

12. Cash and Cash Equivalents and Pledged Time Deposits

	30 September 2006 HK\$'000 (Unaudited)	31 March 2006 HK\$'000 (Audited)
Time deposits	5,134	5,232
Cash and bank balances	134,547	132,883
	<u>139,681</u>	<u>138,115</u>
Less: Pledged time deposits for bank guarantees	(5,134)	(5,232)
	<u>134,547</u>	<u>132,883</u>

At the balance sheet date, time deposits of HK\$5,134,000 (31 March 2006: HK\$5,232,000) were pledged to a bank as security for bank guarantees given by such bank to certain counterparties in relation to the provision of marketing services by the Group to such counterparties.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for a period of one year (31 March 2006: one year) and earn interest at respective short term fixed deposit rates. The carrying amounts of the cash and bank balances and the pledged time deposits approximate to their fair values.

13. Trade Payables

An aged analysis of the trade payables as at the balance sheet date, based on the payment due date, is as follows:

	30 September 2006 HK\$'000 (Unaudited)	31 March 2006 HK\$'000 (Audited)
Within 1 month	3,798	3,077
1 to 2 months	286	—
	<u>4,084</u>	<u>3,077</u>

The trade payables are non-interest-bearing and are normally settled on 60-day term. The carrying amounts of the trade payables approximate to their fair values.

14. Finance Lease Payables

	Minimum lease payments		Present value of minimum lease payments	
	30 September 2006 HK\$'000 (Unaudited)	31 March 2006 HK\$'000 (Audited)	30 September 2006 HK\$'000 (Unaudited)	31 March 2006 HK\$'000 (Audited)
Amount payable:				
Within one year	1,677	–	1,255	–
In the second to fifth years, inclusive	4,697	–	4,293	–
	<hr/>	<hr/>	<hr/>	<hr/>
Total minimum finance lease payments	6,374	–	5,548	–
	<hr/>	<hr/>	<hr/>	<hr/>
Future finance charges	(826)	–		
	<hr/>	<hr/>		
Total net finance lease payables	5,548			
	<hr/>	<hr/>		
Portion classified as current liabilities	(1,255)	–		
	<hr/>	<hr/>		
Non-current portion	4,293	–		
	<hr/>	<hr/>		

The finance leases have remaining lease terms of approximately three years.

The Directors consider that the carrying amounts of the finance lease payables approximate to their fair values.

15. Share Capital

	30 September 2006 HK\$'000 (Unaudited)	31 March 2006 HK\$'000 (Audited)
Authorised:		
5,000,000,000 ordinary shares of HK\$0.1 each	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:		
2,400,001,640 ordinary shares of HK\$0.1 each	<u>240,000</u>	<u>240,000</u>

Share options

On 30 September 2004, the Company adopted an option scheme (the "Scheme") which became effective on 28 October 2004 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The Company operates 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 of the Scheme included the Company's directors, employees of the Group and other individuals as determined by the Directors on the basis of their contribution to the success of the development and growth of the Group. No share options have been granted under the Scheme since the Scheme became effective.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

15. Share Capital (continued)

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors (“INED”s). In addition, any share options granted to a substantial shareholder or an INED of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company’s shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the Directors, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the Directors, but may not be less than the highest of (i) The Stock Exchange of Hong Kong Limited (“SEHK”) closing price of the Company’s shares on the date of the offer of the share options; (ii) the average SEHK closing price of the Company’s shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of a share.

Share options do not confer rights on the holders to dividends or to vote at shareholders’ meetings.

16. Reserves

The detailed movements in total equity during the Period were disclosed in the unaudited condensed consolidated statement of changes in equity.

17. Operating Lease Arrangements

The Group leases certain of its office properties, equipment and staff quarters under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years, and those for office equipment for terms of three years.

At 30 September 2006, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2006 HK\$'000 (Unaudited)	31 March 2006 HK\$'000 (Audited)
Within one year	1,236	2,395
In the second to fifth years, inclusive	2,539	3,202
	<u>3,775</u>	<u>5,597</u>

18. Commitments and Contingent Liabilities

As at 30 September 2006 and 31 March 2006, the Group had no significant commitments or contingent liabilities.

19. Related Party and Connected Transactions

There had been no related party and connected transactions during the Period (2005: Nil).

20. Approval of the Interim Financial Report

These unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board on 7 December 2006.