New Times Group Holdings Limited

新時代集團控股有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 166

Annual Report 2006

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive:
Chan Chi Yuen *(Chairman)*
Lam Kwan Sing

Independent non-executive:
Ho Pui Man
Tse On Po Vincent
Law Fei Shing

COMPANY SECRETARY

Yim Lai Wa

AUDITORS

CCIF CPA Limited

LEGAL ADVISER

on Hong Kong law
Preston Gates & Ellis

on Bermuda law
Conyers Dill & Pearman

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 2003–06
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tengis Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board") of New Times Group Holdings Limited (the "Company"), I present herein the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2006.

Turnover of the Group for the year ended 31 March 2006 was about HK$5.4 million, representing an increase of about 8% from approximately HK$5.0 million for the corresponding year under review. The increase in revenue was mainly due to the increase in rental income from our office premises in Beijing by approximately HK$447,000. The Group recorded a consolidated loss attributable to shareholders of about HK$2.9 million (2005: HK$17.9 million (as restated)). The loss was mainly attributed to the loss on disposal of financial assets at fair value through profit or loss which amounted to about HK$1.4 million (2005: loss of HK$9.9 million). Nevertheless, the Group was able to reduce the loss by approximately 84% as compared to last year and was mainly due the decrease in the loss on disposal of financial assets at fair value through profit or loss by about HK$8.5 million, together with reduction in the administrative expenses of the Group of about HK$4.4 million as a result of a more stringent control of the Group's overhead.

Loss per share for the year was HK0.67 cent (2005: HK4.13 cents) and the Board does not recommend any final dividends for this financial year (2005: Nil).

BUSINESS REVIEW

Continuing Operations

Property Investments and Development

The property investments and development business continued to be the principle business of the Group and contributed approximately 84% of the Group's total turnover for the year. Gross rental income in certain commercial properties in Beijing, PRC for the year amounted to about HK$4.5 million (2005: HK$4.1 million), representing a growth of approximately 10% from last financial year. The increase in turnover was mainly due the official appreciation of the Renminbi, together with the occupancy rate picking up for the current year. With the improvement in the macroeconomic outlook of Mainland, and the urbanization program implemented by the Beijing municipal government, the management expects the Beijing property market would enter into a the stage of stable development stage. When opportunities arise and at reasonable terms, the management may dispose properties so as to release capital for further investments to strengthen the earning stream and bring to the shareholders greater value in the long run.

As mentioned in the Company's last annual reports, the Group acquired an industrial land situated at Shenzhen, PRC through the acquisition of Smart Wave Limited. The development site is approximately 60,000 square meters and the gross floor area of approximately 107,700 square meters. Construction work is in progress. Pre-sale schedule has already started and received a satisfactory response with sales deposit of approximately HK$22 million recorded for the year under review.

BUSINESS REVIEW *(Continued)*

Continuing Operations *(Continued)*

Investments and Financial Services

As mentioned in the Company's last annual reports, the Group has been focused on property investment and development business and further downsized the investment and financial services business. In this connection, a loss on disposal of financial assets at fair value through profit and loss of approximately HK$1.4 million (2005: loss of HK$9.9 million) was recorded for the year under review.

Interest income derived from the financial services operations was also reduced by approximately 3% to approximately HK$0.86 million as compared to approximately HK$0.9 million for the corresponding year in 2005.

Discontinued Operation

Trading

As mentioned in the Company's last annual reports, the Group had failed to introduce strategic partners to rejuvenate the trading business. Accordingly, in a Board meeting in July 2004, the management ceased the trading operations so as to save further resources and focus on the Group's property investment and development business and other potential businesses in the coming future.

LIQUIDITY AND FINANCIAL RESOURCES

Financial Position

The financial position of the Group remains healthy for the year under review.

As at 31 March 2006, the Group had a net current assets of about HK$4.5 million (2005: HK$0.93 million), which included a cash balance of about HK$1.7 million (2005: HK$2.6 million) and with a current ratio of 1.1 (total current assets to total current liabilities) (2005: 1).

As at 31 March 2006, the Group has total short term bank borrowings amounted around HK$9.6 million, bearing an interest rate of 7.254% per annum and is due within one year. The borrowings are secured by certain of the Group's leasehold land and land use rights in Mainland China with a net book value of approximately HK$37.7 million. As at 31 March 2006, the gearing ratio is 7% (total bank borrowings to shareholders' equities) (2005: Nil) and interest expenses is about HK$967,000 (2005: HK$464,000).

On 30 March 2006, the Company announced the issue of the Convertible Notes in the principal amount of HK$5 million to raise additional working capital for the Group. The issuance was completed subsequent to the balance sheet date. Further in April/May 2006, the subscriber exercised the conversion right and a total of 30,303,030 new shares of the Company were issued accordingly.

LIQUIDITY AND FINANCIAL RESOURCES *(Continued)*

Contingent Liability

The Group did not have any material contingent liabilities as at 31 March 2006.

Capital Investments and Commitments

During the year under review, except for the construction expenditures in relation to the construction of properties on certain industrial land in Shenzhen, PRC, the Group did not incur any material capital investment or expenditure. As at 31 March 2006, the Group had capital commitment in respect of the construction cost in relation to certain industrial land in Shenzhen, PRC amount to HK$54.5 million (2005: HK$62.5 million).

Pursuant to a 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 the 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 of 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 relation to the construction cost.

Foreign exchange and interest rate exposure

The Group mainly earned revenue and incurred cost in Hong Kong Dollar and Renminbi. The directors consider the impact of foreign exchange of the Group is minimal. Although the management believes the impact will be minimal, the management will closely monitor the fluctuation in currencies and take appropriate actions when condition arises.

Employment, training and remuneration policy

As at 31 March 2006, the Group's operations engaged a total of about 15 staffs and workers. The remuneration policy of the Group's employees are reviewed and approved by the executive directors based on individual experience and qualifications as well as the job responsibilities and market conditions at the relevant time. Discretionary bonus is linked to the profit performance of the Group as well as individual performance. During the year, no share options were granted to any director or employee of the group. Staff benefits include accommodation, medical schemes and Mandatory Provident Fund Scheme for Hong Kong employees, and state-sponsored retirement plans for employees in the People's Republic of China.

PROSPECTS

Looking forward to the coming future, the Group will continue to plan its future through reforms and continuing improvement. By adopting a prudent approach in its business development and financial strategy, the Group hopes to take advantage of new business opportunities with strong market momentum and potential. The management will continue to search for any potential investment opportunities that can benefit the Group in the long term.

ACKNOWLEDGEMENTS

On behalf of the directors, I would like to express my heartfelt thanks to our shareholders for their continued support and to our staff for their valuable contributions in the past. We will carry on dedicating our efforts towards the Group's long term development.

Chan Chi Yuen
Chairman

Hong Kong
26 July 2006

CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied throughout the year ended 31 March 2006 with the code provision set out in the Code of Corporate Governance Practices (the "CG Code") as stipulated in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") except on the deviations noted below.

Code Provision A.2.1

This code stipulates that the role of Chairman and chief executive officer should be separate and should not be performed by the same individual.

The Company does not at present have any office with the title "chief executive officer".

The Company has no such title as the chief executive officer and therefore the daily operation and management of the Company is monitored by the executive directors as well as the senior management. The Board is of the view that although there is no chief executive officer, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals and meet from time to time to discuss issues affecting the operation of the Company.

Code provisions A.4.1

This code stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

The non-executive and independent non-executive directors of the Company are not appointed for a specific term but they are subject to retirement by rotation and re-election at the annual general meeting of the Company.

Code Provision A.4.2

This code stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Under the present Bye-laws of the Company ("Bye-laws"), directors who are appointed to fill a casual vacancy only required to be re-elected at the next annual general meeting. Moreover, the chairman of the Board and/or the managing director of the Company are not subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year. These constitute deviation from the code provision A.4.2 of the Code.

In order to align the Bye-laws with the CG Code and comply with certain amendments of the Listing Rules, the Board has proposed to amend the Bye-laws at the forthcoming annual general meeting and details of the proposed amendments will be contained in the notice convening the annual general meeting.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code for Securities Transactions by Directors of Listed Companies and the code of conduct regarding securities transactions by directors adopted by the Company throughout the year.

BOARD OF DIRECTORS

Composition

The Board currently comprises two executive directors and three independent non-executive directors:

Executive directors:
Mr. Chan Chi Yuen *(Chairman)*
Mr. Lam Kwan Sing

Independent non-executive directors:
Ms. Ho Pui Man
Mr. Law Fei Shing
Mr. Tse On Po Vincent

Throughout the year ended 31 March 2006, the Board at most times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of its independent non-executive directors are independent.

Responsibilities

The Board has the ultimate decision on the Group's overall strategy, annual budget, annual and interim results, appointment or retirement of directors, significant contracts and transactions as well as other significant policy and financial matters. The Board has delegated the daily operations and administration to the Company's management.

Every director is entitled to have access to Board papers and related materials and has access to the advice and services of the Company Secretary. In addition, every director has separate and independent access to the Company's senior management to facilitate them to make informed decisions. All directors, in the discharge of their duties, are allowed to seek independent professional advice in appropriate circumstances at a reasonable cost to be borne by the Company.

BOARD OF DIRECTORS *(Continued)*

Induction for Directors

Each newly appointed director will receive comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has proper understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

Board Meetings

In order to achieve a high standard of corporate governance, the Board held four regularly meetings at approximately quarterly interval during the year ended 31 March 2006 to discuss the overall strategy as well as the operation and financial performance of the Group. Attendance of each director at the Board meetings is set out below.

	Number of Board meetings Attended/Eligible to attend
Executive directors:	
Mr. Chan Chi Yuen* *(Chairman)*	Not applicable
Mr. Liu JiCheng	4/4
Mr. Lam Kwan Sing	4/4
Non-executive director:	
Ms. Huang Ning	4/4
Independent non-executive directors:	
Mr. Law Fei Shing	4/4
Ms. Kwai Laam *(Note 1)*	1/1
Mr. Qi Jin Feng *(Note 1)*	1/1
Mr. Tse On Po Vincent *(Note 2)*	3/3
Ms. Ho Pui Man *(Note 2)*	3/3
Mr. Lau Man Tak *(Note 3)*	0/0

* Mr. Chan Chi Yuen was appointed on 10 May 2006 and therefore no meeting was attended during the year ended 31 March 2006.

Note 1: resigned on 5 December 2005

Note 2: appointed on 5 December 2005

Note 3: resigned on 18 July 2005

BOARD OF DIRECTORS *(Continued)*

Chairman and Chief Executive Officer

This code stipulates that the role of Chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Chan Chi Yuen is the Chairman of the Company and is responsible for the overall strategic planning and policy making of the Group.

The Company has no such title as the chief executive officer and therefore the daily operation and management of the Company is monitored by the executive directors as well as the senior management. The Board is of the view that although there is no chief executive officer, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals and meet from time to time to discuss issues affecting the operation of the Company.

Board Committees

The Board has established 3 committees namely, the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference.

The majority of the members of each Board committees are independent non-executive directors. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three independent non-executive directors of the Company, namely Mr. Law Fei Shing, Mr. Tse On Po Vincent and Ms. Ho Pui Man. Ms. Ho Pui Man is the Chairman of the Remuneration Committee.

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/ her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Remuneration Committee did not hold any committee meeting during the year ended 31 March 2006.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors of the Company, namely Mr. Law Fei Shing, Mr. Tse On Po Vincent and Ms. Ho Pui Man. Ms. Ho Pui Man is the chairman of the Audit Committee. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the followings:

(a) To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant, compliance officer (if any), internal auditor (if any) or external auditors before submission to the Board.

(b) To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.

(c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee held two meetings during the year ended 31 March 2006 to review the financial results and report of the Company. Attendance of each director at these meetings is set out below.

	Number of Board meetings Attended/Eligible to attend
Mr. Law Fei Shing	2/2
Ms. Kwai Laam *(Note 1)*	1/1
Mr. Qi Jin Feng *(Note 1)*	1/1
Mr. Tse On Po Vincent *(Note 2)*	1/1
Ms. Ho Pui Man *(Note 2)*	1/1
Mr. Lau Man Tak *(Note 3)*	0/0

Note 1: resigned on 5 December 2005

Note 2: appointed on 5 December 2005

Note 3: resigned on 18 July 2005

NOMINATION COMMITTEE

The Nomination Committee comprises three independent non-executive directors of the Company, namely Mr. Law Fei Shing, Mr. Tse On Po Vincent and Ms. Ho Pui Man. Ms. Ho Pui Man is the chairman of the Nomination Committee.

The main duties of the Nomination Committee include the followings:

(a) To review the criteria and procedures of selection of directors and senior management members, and provide suggestions;

(b) To conduct extensive search for qualified candidates for directors and senior management members; and

(c) To access the candidates for directors and senior management members and provide the relevant recommendations.

The Nomination Committee did not hold any committee meeting during the year ended 31 March 2006.

AUDITORS' REMUNERATION

The remuneration to the external auditors of the Company in respect of audit services for the year ended 31 March 2006 amounted to HK$380,000.

There was no non-audit service rendered to the Company by its external auditors during the year under review.

ACCOUNTABILITY AND AUDIT

The directors acknowledge their responsibility for preparing the financial statements of the Group and have adopted the accounting principles generally accepted in Hong Kong and compiled with the requirements of Hong Kong Financial Reporting Standards which also include Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. As at 31 March 2006, the directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the directors have prepared the financial statements of the Company on a going-concern basis.

The reporting responsibilities of the Company's independent auditors are set out in the Report of Auditors on page 20.

On behalf of the Board
Chan Chi Yuen
Chairman

26 July 2006

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Chan Chi Yuen, aged 40, holds a bachelor degree with honours in Business Administration and is a fellow member of The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. Mr. Chan is a practicing certified public accountant and holds directorship in various listed companies in Hong Kong. He has extensive experience in accounting, taxation, financial management, corporate finance and corporate governance. Mr. Chan joined the Group in May 2006.

Mr. Lam Kwan Sing, aged 37, is an accountant with extensive experience in the commercial and corporate finance field. He has previously held directorships and senior management positions in various publicly listed companies. Mr. Lam joined the Group in July 2002.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tse On Po Vincent, aged 50, has over 5 years of experience in management for private equity funds. Mr. Tse joined the Group in December 2005.

Ms. Ho Pui Man, aged 30, is a member of Hong Kong Institute of Certified Public Accountants and CPA (Aust.). She holds a bachelor degree in Commerce majoring in Economics, Marketing and Finance from Deakin University of Australia and a master degree in Practising Accounting from Monash University of Australia. She has over 4 years of experience in accounting and corporate finance. Ms. Ho joined the Group in December 2005.

Mr. Law Fei Shing, aged 46, is a certified public accountant practicing in Hong Kong. He is also a member of American Institute of Certified Public Accountants (AICPA), U.S.A. Mr. Law has over 15 years of experience in audit and accounting services. He is currently the senior partner of Messrs. of F. S. Law & Co. being a Certified Public Accountants Firm in Hong Kong. He is currently also the executive director and company secretary of Aurora Global Investment Holdings Limited. Mr. Law joined the Group in September 2005.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of New Times Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 17 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2006 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 21 to 78.

The directors do not recommend the payment of any dividend in respect of the year.

SUMMARY FINANCIAL INFORMATION

Set out below is a summary of the results and a statement of net assets of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate.

RESULTS

	Year ended 31 March				
	2006	2005	2004	2003	2002
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)	*(Restated)*		
TURNOVER	**5,400**	5,024	23,643	36,417	36,102
LOSS BEFORE TAX	**(2,438)**	(17,451)	(37,158)	(76,692)	(39,826)
Tax	**(454)**	(458)	(435)	612	(140)
LOSS BEFORE MINORITY INTERESTS	**(2,892)**	(17,909)	(37,593)	(76,080)	(39,966)
Minority interests	**–**	–	–	–	82
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	**(2,892)**	(17,909)	(37,593)	(76,080)	(39,884)

ASSETS AND LIABILITIES

	At 31 March				
	2006	2005	2004	2003	2002
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)	*(Restated)*		
TOTAL ASSETS	**184,420**	157,904	168,161	186,123	266,960
TOTAL LIABILITIES	**(50,995)**	(21,955)	(14,303)	(40,952)	(46,612)
NET ASSETS	**133,425**	135,949	153,858	145,171	220,348

FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefore, are set out in notes 25 and 26 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 27 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2006, the Company's reserves of approximately HK$15,148,000 (subject to the provisions under the Companies Act of Bermuda) were available for distribution to its shareholders. In addition, the Company's share premium account of HK$94,471,000 as at 31 March 2006, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2006, the five largest customers of the Group accounted for approximately 84% (2005: 75%) of the Group's turnover for the year while the five largest suppliers accounted for nil (2005: nil) of the Group's purchases. In addition, the largest customer of the Group accounted for approximately 28% (2005: 30%) of the Group's turnover for the year while the largest supplier accounted for nil (2005: nil) of the Group's purchases.

None of the directors of the Company, their associates or shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital), had any beneficial interest in the Group's five largest customers or five largest suppliers.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors

Mr. Chan Chi Yuen *(Chairman)*	(appointed on 10 May 2006)
Mr. Lam Kwan Sing	
Mr. Liu JiCheng	(resigned on 10 May 2006)

Non-executive director

Ms. Huang Ning	(resigned on 10 May 2006)

Independent non-executive directors

Mr. Law Fei Shing	(appointed on 6 September 2005)
Mr. Tse On Po Vincent	(appointed on 5 December 2005)
Ms. Ho Pui Man	(appointed on 5 December 2005)
Ms. Kwai Laam	(resigned on 5 December 2005)
Mr. Qi Jin Feng	(resigned on 5 December 2005)
Mr. Lau Man Tak	(resigned on 18 July 2005)

In accordance with the Company's bye-law no. 86(2), Mr. Chan Chi Yuen, Mr. Tse on Po Vincent and Ms. Ho Pui Man shall retire by rotation from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The independent non-executive directors have not been appointed for a specific term, but are subject to retirement by rotation pursuant to the Company's bye-laws.

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of the directors of the Company of the Group are set out on page 13 of the annual report.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group. In addition, the directors' remuneration is reviewed by the Remuneration Committee annually.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 March 2006, the interests and short positions of the directors and/or their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code for the Securities Transactions by Directors of Listed Companies were as follows:

Long position in ordinary shares of the Company:

Name of director	Nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Ms Huang Ning	Corporate	141,712,500	32.71

Note: The interests in these Shares are held by Victory Rider Limited, the entire issued share capital of which is wholly and beneficially owned by Ms. Huang Ning. Accordingly, Ms. Huang Ning is deemed to be interested in all the Shares in which Victory Rider Limited is interested by virtue of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS *(Continued)*

Save as disclosed above, as at 31 March 2006, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO, as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code for the Securities Transactions by Directors of Listed Companies.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

DISCLOSABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

At 31 March 2006, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to any directors of chief executive of the Company, the following persons had, or were deemed or taken to have, an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Long positions:

Name of shareholder	*Notes*	Nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Victory Rider Limited	*(i)*	Corporate	141,712,500	32.71
Huang Ning	*(i)*	Corporate	141,712,500	32.71
Kistefos Investment A.S.	*(ii)*	Corporate	62,400,000	14.40

Notes:

(i) As at 31 March 2006, Ms. Huang Ning was the beneficial owner of Victory Rider Limited. Details of the interest of Ms. Huang Ning in the shares of the Company are set out in the section "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" of this report.

(ii) So far is known to the Directors, Kistefos Investment A.S. is wholly-owned by A.S. Kistefos Traesliberi, in which Mr. Christen Sveaas has an 85% beneficial interest.

DISCLOSABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO *(Continued)*

Save as disclosed above, the directors are not aware of any person had or were deemed or taken to have, an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

On 27 April 2006, Ms. Huang Ning had sold her entire holding of 119,712,500 shares in the Company through her wholly owned company, Victory Rider Limited to Dragon Union Investments Limited, a company which is beneficially owned by Mr. Chan Chi Yuen. After the sale, Victory Rider Limited ceased to be a substantial shareholder of the Company and Dragon Union Investments Limited became the single largest shareholder of the Company, holding 119,712,500 shares in the Company, representing 25.82% of issued share capital of the Company as at the date of this report.

In April/May 2006, the Company received conversion notices from Mr. So Chi Ming in respect of the convertible notes in an aggregate principal amount of HK$5,000,000, pursuant to which Mr. So Chi Ming exercised the conversion rights in full attaching to the convertible notes at the conversion price of HK$0.165 per share, resulting in the issue of 30,303,030 new shares of the Company to Mr. So Chi Ming, representing 6.54% of the issued share capital of the Company as at the date of this report.

POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group are set out in Note 31 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 March 2006.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with management the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters including a review of the audited financial statements of the Group for the year ended 31 March 2006. The Audit Committee comprises three independent non-executive directors of the Company. During the year, two regular meetings of the Audit Committee have been held.

AUDITORS

The financial statements for the year ended 31 March 2004 was audited by Ernst & Young. Ernst & Young resigned as auditors of the Company with effect from 22 March 2005. CCIF CPA Limited was appointed as auditors of the Company on 28 July 2005. The financial statements for the years ended 31 March 2005 and 2006 were audited by CCIF CPA Limited. A resolution for the re-appointment of CCIF CPA Limited as auditors of the Company is to be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Chan Chi Yuen
Chairman

Hong Kong
26 July 2006

AUDITORS' REPORT

CCIF
CCIF CPA LIMITED
37/F Hennessy Centre
500 Hennessy Road
Causeway Bay Hong Kong

AUDITORS' REPORT TO THE SHAREHOLDERS OF
NEW TIMES GROUP HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 21 to 78 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2006 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 26 July 2006

Chan Wai Dune, Charles
Practising Certificate Number P00712

CONSOLIDATED INCOME STATEMENT

For the Year ended 31 March 2006

	Notes	2006 HK$'000	2005 HK$'000 (Restated)
Continuing operations:			
Turnover	6(a)	**5,400**	4,976
Other gains, net		**2,678**	1,177
Fair value loss on investment properties	14	**(943)**	–
Administrative expenses		**(6,036)**	(10,036)
Other operating expenses		**(1,431)**	(13,027)
Write-back of provision for legal and professional costs	22	**–**	409
Operating loss	8	**(332)**	(16,501)
Finance costs	10	**(967)**	(464)
Loss before income tax from continuing operations		**(1,299)**	(16,965)
Income tax expense	11	**(454)**	(458)
Loss for the year from continuing operations		**(1,753)**	(17,423)
Discontinued operation:			
Loss for the year from discontinued operation	7	**(1,139)**	(486)
Loss attributable to shareholders	12	**(2,892)**	(17,909)
Dividends		**–**	–
Loss per share (basic and diluted)	13		
– continuing operations		**(HK0.41) cents**	(HK4.02) cents
– discontinued operation		**(HK0.26) cents**	(HK0.11) cents
		(HK0.67) cents	(HK4.13) cents

CONSOLIDATED BALANCE SHEET

As at 31 March 2006

	Notes	2006 HK$'000	2005 HK$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	14	**93**	298
Investment properties	14	**75,812**	75,472
Leasehold land	14	**37,692**	38,718
Goodwill	15	**16,723**	16,723
Loan and receivables, unsecured	16	**–**	5,294
		130,320	136,505
CURRENT ASSETS			
Loan and receivables, unsecured	16	**12,642**	7,348
Properties held for/under development for sale	18	**16,844**	4,963
Trade receivables	19	**3,855**	1,843
Short term investments	20	**–**	3,247
Financial assets at fair value through profit or loss	20	**1,315**	–
Prepayments, deposits and other receivables		**17,720**	1,415
Cash and bank balances		**1,724**	2,583
		54,100	21,399
CURRENT LIABILITIES			
Bank loan	21	**9,658**	–
Other borrowing	21	**1,501**	–
Deposit received		**22,497**	409
Provisions	22	**–**	–
Finance lease payables	23	**92**	93
Other payables and accrued liabilities		**14,413**	18,981
Tax payable		**1,441**	987
		49,602	20,470
NET CURRENT ASSETS		**4,498**	929
TOTAL ASSETS LESS CURRENT LIABILITIES		**134,818**	137,434
NON-CURRENT LIABILITIES			
Finance lease payables	23	**107**	199
Deferred income tax	24	**1,286**	1,286
		1,393	1,485
		133,425	135,949
CAPITAL AND RESERVES			
Share capital	25	**43,330**	43,330
Reserves		**90,095**	92,619
		133,425	135,949

Approved and authorised for issue by the board of directors on 26 July 2006

Chan Chi Yuen
Director

Lam Kwan Sing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year ended 31 March 2006

	Share capital HK$'000	Share premium HK$'000	Capital Reserve HK$'000	Investment property revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
As 1 April 2004							
– as previously reported	43,330	94,471	9,585	2,999	–	3,729	154,114
– prior period adjustment in respect of a change in the accounting policy on leasehold land under HKAS 17	–	–	–	–	–	(256)	(256)
– as restated	43,330	94,471	9,585	2,999	–	3,473	153,858
Loss for the year, as restated	–	–	–	–	–	(17,909)	(17,909)
At 31 March 2005, as restated	43,330	94,471*	9,585*	2,999*	–*	(14,436)*	135,949
As 1 April 2005							
– as previously reported	43,330	94,471	9,585	2,999	–	(14,541)	135,844
– prior period adjustment in respect of a change in the accounting policy on leasehold land under HKAS 17	–	–	–	–	–	105	105
	43,330	94,471	9,585	2,999	–	(14,436)	135,949
– Opening adjustment for the adoption of HKAS 40 in respect of investment property	–	–	–	(2,999)	–	2,527	(472)
– as restated	43,330	94,471	9,585	–	–	(11,909)	135,477
Exchange translation difference	–	–	–	–	840	–	840
Loss for the year	–	–	–	–	–	(2,892)	(2,892)
At 31 March 2006	43,330	94,471*	9,585*	–*	840*	(14,801)*	133,425

* *These reserve accounts comprise the consolidated reserves of HK$90,095,000 (2005: HK$92,619,000 (as restated)) in the consolidated balance sheet.*

CONSOLIDATED CASH FLOW STATEMENT

For the Year ended 31 March 2006

	Notes	2006 HK$'000	2005 HK$'000 (Restated)
Operating activities			
Net cash (used in)/generated from continuing operations	*28(a)*	**(10,412)**	26,667
Interest received		**861**	881
Interest paid		**(967)**	(464)
Hong Kong profits tax refunded		**–**	445
Net cash (used in)/from operating activities		**(10,518)**	27,529
Investing activities			
Sale proceeds of note receivables		**–**	1,575
Deposit refunded for acquisition of an interest in properties		**–**	15,000
Purchases of property, plant and equipment		**–**	(10)
Acquisition of subsidiaries	*28(b)*	**–**	(54,907)
Disposal of subsidiaries	*28(c)*	**–**	2,708
Proceeds from disposal of fixed assets		**–**	5,080
Proceeds from disposal of financial assets at fair value through profit or loss		**644**	–
Net cash from/(used in) investing activities		**644**	(30,554)
Financing activities			
Loans borrowed		**11,159**	–
Capital element of finance lease rental payments		**(93)**	(259)
Net cash used in financing activities		**11,066**	(259)
Net cash from/(used in) continuing operations		**1,192**	(3,284)
Effect of foreign currency translation		**(912)**	–
Net cash used in discontinued operation	*7*	**(1,139)**	(486)
Decrease in cash and cash equivalents		**(859)**	(3,770)
Cash and cash equivalents at 1 April		**2,583**	6,353
Cash and cash equivalents at 31 March		**1,724**	2,583
Analysis of the balance of cash and cash equivalents			
Cash and bank balance		**1,724**	2,583

BALANCE SHEET

As at 31 March 2006

	Notes	2006 HK$'000	2005 HK$'000
NON-CURRENT ASSETS			
Interest in subsidiaries	17	**180,162**	180,355
CURRENT ASSETS			
Prepayments, deposits and other receivables		**174**	174
Cash and bank balances		**1,186**	1,143
		1,360	1,317
CURRENT LIABILITIES			
Other payables and accrued liabilities		**1,121**	2,624
Other borrowing	21	**1,501**	–
Provisions	22	**–**	–
		2,622	2,624
NET CURRENT LIABILITIES		**(1,262)**	(1,307)
TOTAL ASSETS LESS CURRENT LIABILITIES		**178,900**	179,048
NON-CURRENT LIABILITIES			
Due to subsidiaries	17	**25,951**	25,951
NET ASSETS		**152,949**	153,097
CAPITAL AND RESERVES			
Share capital	25	**43,330**	43,330
Reserves	27(b)	**109,619**	109,767
		152,949	153,097

Approved and authorised for issue by the board of directors on 26 July 2006

Chan Chi Yuen
Director

Lam Kwan Sing
Director

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.

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

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.

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.

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.

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.

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.

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.

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 recognsied 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 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 recognsied 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 recognsied 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.

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.

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.

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.

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.

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 recognsied 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.

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.

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

n) Provisions

Provisions are recognsied 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.

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 recognsied until the time of leave.

iii) Bonus entitlements

The expected cost of bonus payments is recognsied 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.

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.

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 recognsied 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.

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.

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.

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.

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	2005
	HK$'000	*HK$'000*
		(Restated)
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	2005
	HK$'000	*HK$'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.

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

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

Primary reporting format – business segments *(Continued)*

	2006			
	Continuing operations			Discontinued operation
	Property investment HK$'000	Provision of financial services HK$'000	Total HK$'000	Trading of precision components processing equipment HK$'000
Segment assets	150,352	15,543	165,895	1
Unallocated assets			18,524	-
Total assets			184,419	1
Segment liabilities	43,299	2,863	46,162	-
Unallocated liabilities			4,833	-
Total liabilities			50,995	-
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	

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

Primary reporting format – business segments *(Continued)*

	2005 *(Restated)*			
	Continuing operations			Discontinued operation
	Property investment *HK$'000*	Provision of financial service *HK$'000*	Total *HK$'000*	Trading of precision components processing equipment *HK$'000*
Segment revenue				
Sales and services to external customers	4,095	881	4,976	48
Other revenue	–	79	79	1,070
Total	4,095	960	5,055	1,118
Segment results	2,448	937	3,385	(486)
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			(17,909)	

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

Primary reporting format – business segments *(Continued)*

	2005 *(Restated)*			
	Continuing operations			Discontinued operation
	Property investment	Provision of financial service	Total	Trading of precision components processing equipment
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	121,566	12,776	134,342	86
Unallocated assets			23,562	–
Total assets			157,904	86
Segment liabilities	13,284	145	13,429	23
Unallocated liabilities			8,526	–
Total liabilities			21,955	23
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	

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

Secondary reporting format – geographical format

	2006				
	Turnover	Other revenue	Total	Segment assets	Capital expenditure
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Continuing operations					
Hong Kong	**858**	**2,496**	**3,354**	**34,068**	**–**
Mainland China	**4,542**	**182**	**4,724**	**150,352**	**–**
	5,400	**2,678**	**8,078**	**184,420**	**–**

	2005 *(Restated)*				
	Turnover	Other revenue	Total	Segment assets	Capital expenditure
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Continuing operations					
Hong Kong	881	1,177	2,058	36,338	10
Mainland China	4,095	–	4,095	121,566	40,000
	4,976	1,177	6,153	157,904	40,010

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	2005
	HK$'000	*HK$'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	**(1,139)**	(486)
Net operating cash outflow	**(1,139)**	(486)
Net investing cash flows	**–**	–
Total net cash outflow	**(1,139)**	(486)
Total assets	**1**	86
Total liabilities	**–**	(23)
Net assets	**1**	63

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

	2006	2005
	HK$'000	*HK$'000*
Operating lease rental for land and building	**–**	49
Staff costs	**387**	1,255

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
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**	–

* *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
	1,632	4,187

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	2005
	HK$'000	*HK$'000*
Salaries, housing and other allowances, benefits in kind	**–**	455
Retirement benefits costs	**–**	6
	–	461

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:

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

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.

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	2005
	HK$'000	*HK$'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	2005
	HK$'000	*HK$'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

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	**–**	–
	454	458

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	**(1,299)**	(16,965)
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
Income tax expense	**454**	458

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	2005
	HK cents	*HK cents*
		(Restated)
Basic loss per share		
– continuing operations	**(0.41)**	(4.02)
– discontinued operation	**(0.26)**	(0.11)
	(0.67)	(4.13)

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.

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

14. FIXED ASSETS *(Continued)*

Group *(Continued)*

	Building HK$'000	Leasehold improvements HK$'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**

14. FIXED ASSETS *(Continued)*

Notes:

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

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

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.

15. GOODWILL

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

16. LOAN AND RECEIVABLES, UNSECURED

	Group 2006 HK$'000	2005 HK$'000
Non-current portion	**–**	5,294
Current portion	**12,642**	7,348
	12,642	12,642
Less: Impairment loss	**–**	–
	12,642	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.

17. INTEREST IN SUBSIDIARIES

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

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 Direct	Percentage of equity attributable to the Company Indirect	Principal activities
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*

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	2005
	HK$'000	*HK$'000*
In Mainland China	**16,844**	4,963

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	2005
	HK$'000	*HK$'000*
Less than 90 days	**1,151**	1,119
91 – 180 days	**1,238**	449
Over 181 days	**1,466**	275
	3,855	1,843
Allowance for bad and doubtful debts	**–**	–
	3,855	1,843

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

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

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

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

21. BANK LOAN AND OTHER BORROWING *(Continued)*

Notes:

(a) Bank loan is repayable as follows:

	Group 2006 HK$'000	2005 HK$'000
Within 1 year and included in current liabilities	**9,658**	–

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 HK$'000	2005 HK$'000
Within 1 year and included in current liabilities	**1,501**	–

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 HK$'000	2005 HK$'000
Balance at beginning of year	**–**	302
Additional provision	**–**	806
Amounts utilised during the year	**–**	(699)
Reversal of utilised amounts	**–**	(409)
At 31 March	**–**	–

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.

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	**–**	–
Total minimum finance lease payments	**214**	317	**199**	292
Future finance charges	**(15)**	(25)		
Total net finance lease payables	**199**	292		
Portion classified as current liabilities	**(92)**	(93)		
Long term portion	**107**	199		

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 *HK$'000*
Group	
At 1 April 2004	1,286
Charged to income statement	–
At 31 March 2005 and at 1 April 2005	1,286
Charged to income statement	–
At 31 March 2006	**1,286**

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.

25. SHARE CAPITAL

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

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.

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:

For the year ended 31 March 2005

Name or category of participant	Number of share options: At 1 April 2004	Number of share options: Cancelled/ lapsed during the year	Number of share options: At 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**
Non-director	28,886,800	(28,886,800)	–	15 October 2002	1 February 2003 to 31 January 2008	$0.67	$0.67

For the year ended 31 March 2006

Name or category of participant	Number of share options: At 1 April 2005	Number of share options: Cancelled/ lapsed during the year	Number of share options: At 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**
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.

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.

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	**(10,412)**	26,667

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.

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)
	–	2,708
Gain on disposal of subsidiaries	–	–
	–	2,708
Satisfied by:		
Cash	–	2,708

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	–	–
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	–	2,708

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.

30. COMMITMENTS

(a) Capital commitments

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

	2006 HK$'000	2005 HK$'000
Capital commitments in respect of		
– Construction cost of properties under development*	**54,488**	62,472

* 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 repaid 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$'000	2005 HK$'000
Not later than one year	**636**	810
Later than one year but not later than five years	**–**	636
	636	1,446

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

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.