金榜集團控股有限公司

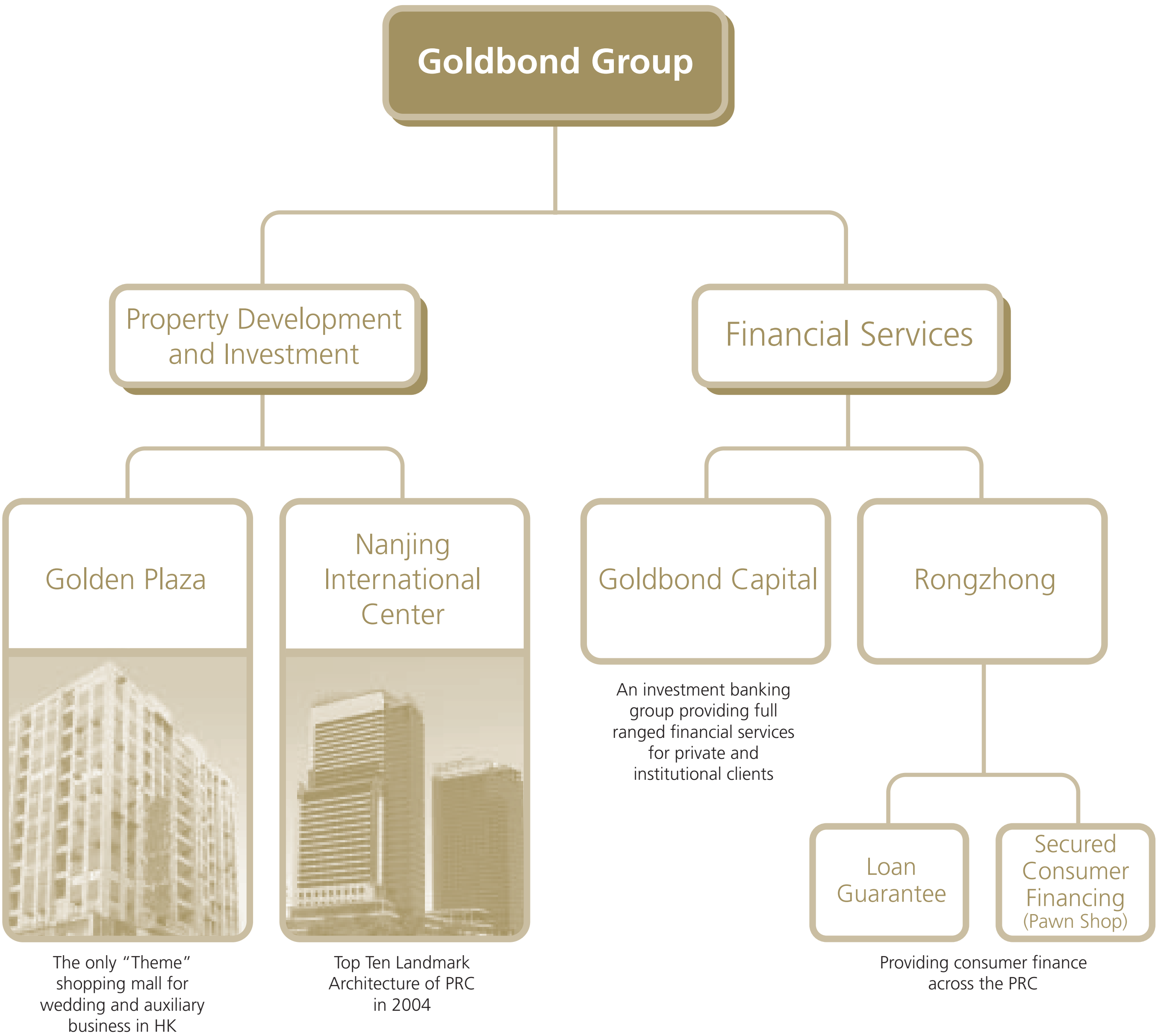
GOLDBOND GROUP HOLDINGS LIMITED

stock code : 172

Annual Report 2005/06

Contents

Corporate Structure



Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Wong Yu Lung, Charles
(Deputy Chairman and Chief Executive Officer)
Mr. Lan Ning
(Deputy Chief Executive Officer)
Mr. Ding Chung Keung, Vincent
Mr. Kee Wah Sze

Independent non-executive Directors

Mr. Ip Yin Wah
Mr. Ma Ho Fai JP
Mr. Melvin Jitsumi Shiraki

AUDIT COMMITTEE

Mr. Ip Yin Wah *(Chairman)*
Mr. Ma Ho Fai JP
Mr. Melvin Jitsumi Shiraki

REMUNERATION COMMITTEE

Mr. Ip Yin Wah *(Chairman)*
Mr. Ma Ho Fai JP
Mr. Kee Wah Sze

SECRETARY

Ms. Li Yu Lian, Kelly

AUDITORS

KPMG
Certified Public Accountants

REGISTERED OFFICE

Unit 3901A, 39/F., Tower One
Lippo Centre
89 Queensway
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
46th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

LEGAL ADVISERS

Iu, Lai & Li
Michael Cheuk, Wong & Kee
Orrick Coudert

PRINCIPAL BANKERS

Citic Ka Wah Bank Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited

WEBSITE

http://www.goldbondgroup.com

STOCK CODE

0172

Board of Directors

Mr. Wong Yu Lung, Charles, aged 56, is the Deputy Chairman and Chief Executive Officer of the Company. He joined the Company in January 2003 and is responsible for corporate strategic planning of the Group. Mr. Wong has over thirty years of worldwide experience in the procurement and logistics of consumer products. He is an international entrepreneur of repute and was the co-founder and chief executive officer of Pacific Resources Export Limited ("Pacific Resources"). Pacific Resources had been the worldwide exclusive procurement agent for Wal-mart for twelve years until 2002, with annual turnover reaching approximately US$6.5 billion. Throughout his years in operating Pacific Resources and twenty-nine branch offices spreading over the world including the United States, South America, Central America, Indian Subcontinent, Middle East, Asia and Europe, Mr. Wong has accumulated valuable experience and profound knowledge, in particular, market mechanism and demand, manufacturing industry, financial market, capital investment and asset management.

As at the date of this report, Mr. Wong is also a director of Ace Solomon Investments Limited, Allied Luck Trading Limited, Grace Honour Ltd, Goldbond Capital Investment Holdings Limited, Golden Cloud Holdings Group Limited and Legend (Asia Pacific) Investment Limited, all being companies which had interests in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of the Securities and Futures Ordinance ("substantial shareholders' discloseable interests").

Mr. Lan Ning, aged 43, is the Deputy Chief Executive Officer of the Company. He has been an executive Director since January 2003 and is responsible for business investment and development of the Group. Prior to joining the Group, he was a senior director of China Poly Group Corporation and the founder and chairman of Guangzhou Poly Investment Limited in the PRC. He has extensive experience in wide range of business, including trading, property development and investment, asset management, securities trading, corporate restructuring and making local and overseas strategic investments.

Mr. Ding Chung Keung, Vincent, aged 36, has been an executive Director since June 2005. He is also the Chief Operating Officer of the Company overseeing all business operations and compliance issues of the Company. Mr. Ding has been in the investment, management and finance industries since 1996 and is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants. Prior to joining the Company, Mr. Ding was the managing director of Cheung Tai Hong Holdings Limited, and the executive director of Capital Estate Limited (both are companies listed on The Stock Exchange of Hong Kong Limited). Mr. Ding holds a bachelor degree in business administration from The Chinese University of Hong Kong.

Mr. Kee Wah Sze, aged 58, an executive Director since January 2003, is responsible for legal aspect of the Group. He is a practicing solicitor in Hong Kong and the senior partner of Michael Cheuk, Wong & Kee and also a notary public and a China-Appointed Attesting Officer in Hong Kong. He has over twenty years of experience in legal field and has extensive legal practice in commercial and corporate laws both in Hong Kong and the PRC.

As at the date of this report, Mr. Kee is also a director of Ace Solomon Investments Limited, Grace Honour Limited, Goldbond Capital Investment Holdings Limited and Legend (Asia Pacific) Investment Limited, all being companies which had substantial shareholders' discloseable interests.

Board of Directors

Mr. Ip Yin Wah, aged 59, joined the Company as an independent non-executive Director and the chairman of the Company's audit committee in September 2004. He is also the chairman of the Company's remuneration committee. Mr. Ip is a certified public accountant of the Hong Kong Institute of Certified Public Accountants, a fellow of Certified Practising Accountants Australia and an associate member of the Institute of Chartered Secretaries and Administrators. He is the sole proprietor of Y. W. Ip & Company, a firm of certified public accountants practicing in Hong Kong. Mr. Ip has more than thirty-three years of experience in public accountancy.

Mr. Ma Ho Fai JP, aged 54, joined the Company as an independent non-executive Director in February 2003. He is a member of both the Company's audit committee and the remuneration committee. Mr. Ma is a partner of Woo, Kwan, Lee & Lo and was admitted as a solicitor in Hong Kong, England and Wales, Australian Capital Territory and Singapore. He is also a China-Appointed Attesting Officer in Hong Kong. Mr. Ma is a member of the 9th Yunnan Provincial Committee of the Chinese People's Political Consultative Conference.

Mr. Melvin Jitsumi Shiraki, aged 60, joined the Company as an independent non-executive Director and a member of the Company's audit committee in September 2004. He is a business commerce and trade industry professional with more than thirty years of experience in the international arena. He has successfully established buying agent offices in various Asian countries, advancing the growth of various U.S.A. retail import programs, negotiating contracts and supervising administrative operations and business services.

Business Review

The principal businesses of the Group are property development and investment and provision of financial services in Hong Kong and the People's Republic of China (the "PRC").

Property development and investment

Golden Plaza, Hong Kong

The rental income derived from Golden Plaza in Hong Kong (after outgoings) for the year under review was approximately HK$25,831,000 (2005: HK$20,842,000), an increase of 24% over last year. Golden Plaza is a well established niche market for wedding businesses. The Group owns more than 90% in aggregate from the basement to the 3rd floor of Golden Plaza. As at 31 March 2006, more than 96% of the total gross floor area of Golden Plaza had been rented. It is expected that Golden Plaza will continue to generate stable income with attractive rental yield to the Group in the foreseeable future.

As at 31 March 2006, the market value of Golden Plaza as revaluated by independent professional valuers was HK$458,700,000.

Nanjing International Center, Nanjing

The Group's jointly controlled entity, Nanjing City Plaza Construction Co., Limited, has a 67% equity interest in Nanjing International Group Limited ("NIG"), a joint stock limited liability company incorporated in the PRC which is developing Nanjing International Center ("NIC") in Nanjing, the PRC. NIC was awarded the "China's Top 10 Landmark Architectures in 2004" by the "China's Top 10 Real Estate" Research Group set up jointly by the Development Research Center of the State Council, the Real Estate Research Center of Tsinghua University and the Index Research Center.

NIC comprises a site area of approximately 32,000 square meters and is being developed by two phases. Phase I, comprising a shopping mall, Novotel hotel, serviced apartments, luxury residential units and office premises with a total gross floor area of approximately 227,000 square meters, is expected to be completed by 2007. As at 31 March 2006, the superstructure work and curtain wall of Phase I was completed. The foundation work of Phase II is preliminarily scheduled to commence in 2007 with an expected total gross floor area of approximately 245,000 square meters, comprising Westin hotel, serviced apartments and office premises.

Financial services

Rongzhong Group Limited ("Rongzhong")

In July 2005, the Group acquired a further 11 shares in Rongzhong such that it has a total 51% equity interest as at 31 March 2006. The Group has advanced to Rongzhong shareholder's loans in the amount of approximately HK$57,385,000 as part of the working capital for its consumer finance business and pawn shop business in the PRC.

For the year ended 31 March 2006, the Group shared turnover (after outgoings) from Rongzhong and its subsidiaries (the "Rongzhong Group") of approximately HK$8,091,000 and a loss of approximately HK$27,976,000 (2005: HK$Nil and HK$2,400,000 respectively) due to restructuring after the acquisition and relatively unambitious attitude of PRC banks towards consumer finance business in 2005. The acquisition of further 11% equity interest of Rongzhong and the entire equity interest of Wuhan City Rongzhong Credit Guarantee Co., Ltd during the year gave rise to a goodwill of HK$11,411,000. Such amount was considered to be impaired at 31 March 2006 in view of the operating results of Rongzhong turned out to be less desirable than originally planned.

(i) Loan guarantee business

At present, Rongzhong Group carry on loan guarantee business in seven cities in the PRC, namely Chengsha, Chengdu, Chongqing, Wuhan, Guangzhou, Nanjing and Hangzhou, principally engaging in the provision of guarantee services for individuals in relation to seven major types of loans: (1) consumable purchase; (2) educational fund; (3) residential renovation; (4) travel and wedding; (5) motor vehicle; (6) real estate property; and (7) sole proprietor working capital. The total guarantee amount of Rongzhong Group for the year under review amounted to approximately RMB260,000,000. Currently, Rongzhong Group is working with more than 4,000 merchandisers in the PRC and has established working relationship with the following banks:

- Industrial and Commercial Bank of China
- Guangdong Development Bank
- Shenzhen Development Bank
- Bank of Communications
- Shanghai Pudong Development Bank
- Changsha Commercial Bank
- China Citic Bank
- Industrial Bank
- China Merchant Bank

(ii) Pawn shop business

In January 2006, Rongzhong was granted a pawn shop license in Wuhan, the PRC by the Ministry of Commerce of the PRC. It is principally engaged in the provision of secured consumer finance to customers. The types of collateral that are approved under 典當管理辦法 (the "Dian Dang Administration Rules") include, but not limited to, motor vehicles, real estate properties, machines and jewellery etc. The pawn shop was opened in March 2006 and the total loans granted amounted to approximately RMB12 million as at the date of this annual report. In accordance with the Dian Dang Administration Rules, income from the pawn shop comprises interest and handling fee. The interest is determined with reference to the respective interest rate announced by The People's Bank of China from time to time and the handling fee shall be charged in the following manner:

Movable property	not more than 4.2% per month
Real estate property	not more than 2.7% per month
Financial instruments	not more than 2.4% per month

After joining the World Trade Organisation ("WTO"), the monetary system in the PRC has been gradually opening up to multinational banks and financial institutions. Consumer finance market is expected to grow dramatically especially the PRC government boosts domestic consumption to fuel the economic growth instead of relying heavily on exports. Leveraging on the existing setup, Rongzhong is trying to tap into the credit card market and is in talks with the PRC banks for the issue of credit cards with hire purchase feature. The Directors believe that investment in Rongzhong would be a long term strategic move for the Group. Rongzhong's expertise and network in the PRC would allow the Group to venture into the PRC consumer finance market with promising prospect. The Group is considering to acquire or incorporate two more pawn shops in other PRC cities.

Goldbond Capital Holdings Limited ("Goldbond Capital")

As at 31 March 2006, the Group had a 20% equity interest in Goldbond Capital, which contributed a profit after tax of approximately HK$5,784,000 during the year under review. Goldbond Capital is principally engaged in the provision of investment and financial-related services, including but not limited to securities and futures trading, distribution and placement of listed and unlisted securities, financial advisory, initial public offering and asset management.

Business Review

In light of the strengthened market confidence in Hong Kong, the introduction of Qualified Domestic Institutional Investor ("QDII") and the large-scaled fund raising exercise activities proposed by the PRC enterprises, the Directors take a positive attitude towards the financial market in Hong Kong and the PRC. During the year, Goldbond Capital completed a number of initial public offer of shares, including Golden Eagle Retail Group Limited and Global Flex Holdings Limited which raised an aggregate amount of approximately HK$1,949 million. Goldbond Capital also acted as arranger for other private fund raising exercises, highlighted by convertible bond placements of Shanghai Real Estate Limited and CITIC 21CN Company Limited which raised approximately HK$386 million and HK$546 million respectively. The Directors are of the view that Goldbond Capital will broaden its earning base in the financial industry and will contribute to the Group in the long run.

Employees and Remuneration Policy

As at 31 March 2006, the Group's total number of staff was approximately 648 in Hong Kong and the PRC. The Group remunerates its employees based on their performance, experience and prevailing industry practices. Other benefits offered to the employees include medical insurance, retirement scheme and training subsidies. In addition, the Group has set up a share option scheme for the purpose of providing incentives to the eligible employees.

Future Plan

In view of the substantial growth in the economy of Hong Kong and the PRC, the Group takes opportunity to focus upon and expand its strategic business developments in property and finance industries with proactive approach. The Group shall seek for new potential investments and on the other hand, maintain effective cost control measures to maximize the shareholders' return.

Financial Review

Turnover of the Group for the year ended 31 March 2006 was approximately HK$39,962,000 (2005: HK$24,735,000), an increase of 62% over last year. The increase in fair value of the Group's investment properties and the operating profit from leasing of investment properties were largely offset by the loss from consumer finance business, resulting in a profit after tax of approximately HK$3,861,000 (2005 (restated): HK$27,083,000).

Liquidity and Capital Resources

As at 31 March 2006, the Group had secured mortgage borrowings of HK$164,580,000 (31 March 2005: HK$177,992,000) which bear interest with reference to HIBOR (Hong Kong Interbank Offered Rate) or the best lending rate offered by the Group's principal bank and will be repayable by instalments till 2013. The Group has other secured banking facilities of HK$116,000,000 (31 March 2005: HK66,000,000) granted by several banks in Hong Kong, which were secured by the investment properties, pledged deposits of approximately US$2,597,000 plus its interest thereupon, a floating charge over the assets of a subsidiary of the Company, and a corporate guarantee and certain properties of related companies. All these banking facilities bear interest with reference to the HIBOR and were utilized up to HK$48,500,000 as at 31 March 2006 (31 March 2005: HK$Nil).

As at 31 March 2006, the Group had amounts due to a related company in the principal amount of HK$20,000,000 and RMB5,000,000 respectively (31 March 2005: HK$Nil), which bear interest with reference to the best lending rates offered by the Group's principal banks, and are unsecured and repayable in 2006. Besides, the Group had amounts due to minority shareholders in the principal amount of RMB15,000,000 and HK$3,000,000 respectively (31 March 2005: HK$Nil), which bear interest with reference to the best lending rates offered by the Group's principal banks, and are unsecured and repayable in 2006 and 2007 respectively. At present, the Group has not used any derivative to hedge against the interest rate risk exposure.

On 5 August 2004, the Company issued convertible notes with a nominal value of $70,000,000 to a related company with a maturity date on 5 August 2007. The notes are interest free and may be converted into ordinary shares of the Company at a conversion price of $0.17 per ordinary share, subject to adjustment upon the occurrence of certain events. Upon full conversion, the notes shall be converted into 411,764,705 ordinary shares of the Company.

On 31 December 2004, the Company issued convertible notes with a nominal value of $30,000,000 to another related company with a maturity date on 5 August 2007. The notes are interest free and may be converted into ordinary shares of the Company at a conversion price of $0.129 per ordinary share, subject to adjustment upon the occurrence of certain events. Upon full conversion, the notes shall be converted into 232,558,140 ordinary shares of the Company.

The convertible notes were split into liability and equity components. As at 31 March 2006, the liability component amounted to HK$88,904,000 (31 March 2005: HK$100,000,000).

As at 31 March 2006, the Group had maintained adequate liquidity with cash and bank balances of HK$26,292,000 (31 March 2005: HK$13,314,000). The gearing ratio as at 31 March 2006, measured as total liabilities to total assets, was 52.52% (31 March 2005 (restated): 49.09%).

The Group's transaction and monetary assets are principally denominated in Hong Kong dollars, United States dollars and Renminbi. The consumer finance services were all provided in the PRC and conducted in Renminbi. With relatively stable exchange rates of Renminbi to Hong Kong dollar and Hong Kong's linked exchange rate between United States dollar and Hong Kong dollar, the Group's exposure to foreign exchange risk remained low.

Charges on the Group's Assets

As at 31 March 2006, the bank loans and banking facilities granted to the Group were secured by:

(i) a legal charge over investment properties with an aggregate carrying value of HK$454,900,000 (31 March 2005: HK$415,000,000);

(ii) an assignment of the rental income derived therefrom;

(iii) a share charge of a subsidiary, Perfect Manor Limited, together with the subordination of the Company's loans to Perfect Manor Limited;

(iv) floating charge over assets of Rongzhong Group Limited; and

(v) a fixed deposit of approximately US$2,597,000 plus accrued interest.

As at 31 March 2006, the guarantee facilities granted to the Group were secured by the security deposits in an aggregate amount of approximately HK$18,848,000 (31 March 2005: HK$Nil).

As at 31 March 2006, the bank loans and banking facilities granted to the Group's jointly controlled entity were secured by:

(i) the Group's 25% equity interest in the jointly controlled entity, Nanjing City Plaza Construction Co., Limited; and

(ii) the assignment of dividends, profits and other monies derived therefrom.

Contingent liabilities

At the balance sheet date, there were contingent liabilities in respect of the following:

(i) the Company has given a guarantee of US$3,750,000 (equivalent to approximately HK$29,250,000) in respect of banking facilities granted to a jointly controlled entity, the Group also pledged its attributable equity interests in its jointly controlled entities for such banking facilities;

(ii) the Company has given a guarantee to a bank to secure a bank loan;

(iii) during the current year, the Company entered into funding, allocation and distribution agreements in respect of a new bank loan of RMB148,977,000 (equivalent to approximately HK$143,247,000) borrowed by a jointly controlled entity.

Pursuant to such agreements, the Company has taken on the funding undertakings and buy-back undertakings, details of which were set out in the Company's circular dated 14 June 2005. All these undertakings are in aggregate subject to a maximum of 16.7% of the outstanding amounts and any other associated costs from time to time in respect of such loan, under which the Company will, pursuant to the agreements, purchase the residential units in the North Tower of Phase 1 of Nanjing International Center at RMB5,000 per square metre or, if required by the bank, arrange a refinancing facility; and

(iv) the Group has contingent liabilities of RMB142,397,000 (equivalent to approximately HK$136,920,000) in relation to the provision of the guarantee services in the PRC.

Five-year Financial Summary

(Expressed in Hong Kong dollars)

RESULTS

	Year ended 31 March				
	2006	2005 (restated)	2004 (restated)	2003	2002
	$ Million	$ Million	$ Million	$ Million	$ Million
Turnover	**40.0**	24.7	23.4	23.2	23.1
Profit/(loss) from ordinary activities before taxation	**13.0**	34.8	33.5	(71.0)	(79.0)
Income tax	**(9.1)**	(7.7)	(6.5)	1.2	–
Profit/(loss) attributable to shareholders	**3.9**	27.1	27.0	(69.8)	(79.0)

ASSETS AND LIABILITIES

	As at 31 March				
	2006	2005 (restated)	2004	2003	2002
	$ Million	$ Million	$ Million	$ Million	$ Million
Total assets	**753.0**	628.9	519.5	366.9	482.9
Total liabilities	**(395.5)**	(308.8)	(220.5)	(227.5)	(355.8)
Net assets	**357.5**	320.1	299.0	139.4	127.1

Major Properties

Particulars of major properties as at 31 March 2006 are as follows:

A. INVESTMENT PROPERTIES

Location	Inland lot number	Tenure of lease	Existing use	Group's interest
Various shop units on the basement, ground, first, second and third floors and the exterior walls of Golden Plaza 745-747 Nathan Road Mongkok Kowloon Hong Kong	23,380/27,452nd shares of and in Section A, Section B and the remaining portion of Kowloon Inland Lot No. 2087 and Kowloon Inland Lot No. 2169	Long term	Retail shops	100%

B. PROPERTIES UNDER DEVELOPMENT

Location	Site area (square meter)	Gross floor area (square meter)	Use	Stage of completion	Expected date of completion	Group's effective interest
Nanjing International Center Tongjia Avenue (North) Zhongyanlu (West) Zhongyanmen Jiedao Gulou District Nanjing the PRC	32,481	Phase I – 227,000	Residential	Superstructure completed	2007	16.74%
			Office	Superstructure completed		
			Hotel	Superstructure completed		
			Shopping mall	Superstructure completed		
		Phase II – 245,000	Residential, office, hotel and shopping mall	Planning stage	2010	16.74%

C. PROPERTIES HELD FOR SALE

Location	Site area (square meter)	Gross floor area (square meter)	Existing use	Group's effective interest
Guizi Garden 1st Floor, Building 9-10 No. 428 Xiongchu Avenue Hongshan District Wuhan the PRC	–	2,521	Commercial	51%
Guizi Garden Basement, Building 9-10 No. 428 Xiongchu Avenue Hongshan District Wuhan the PRC	–	2,683	Car park	51%

Corporate Governance Report

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance. Recognising the importance of shareholders' transparency and accountability, the Directors of the Company (the "Board") believe that shareholders can enhance their benefits from good corporate governance.

Throughout the year ended 31 March 2006 under review (the "Year"), the Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 to Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for certain deviations as specified with considered reasons for such deviations as explained below under the paragraph headed "Board of Directors".

BOARD OF DIRECTORS

The Board assumes responsibility for leadership and control of the Company and its subsidiaries (the "Group") and is collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs.

The Board currently consists of four executive Directors and three independent non-executive Directors. Biographies of the Directors, and their respective roles in the Board and committees are set out on pages 4 and 5 respectively. The information is also available on the Company's website.

According to the Company's articles of association (the "Articles"), at every annual general meeting, one-third of the Directors (including non-executive Directors) for the time being, or if their number is not a multiple of three then the nearest number to but not exceeding one-third of the Directors shall retire from office. Directors who are appointed by the Board must retire at the first annual general meeting after their appointment, and shall be eligible for re-election at that annual general meeting. Further, a managing director shall not, while he continues to hold the office, be subject to retirement by rotation, and he shall not be reckoned as a Director for the purpose of determining the rotation of retirement of Directors or in fixing the number of Directors to retire.

Pursuant to the CG Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. To ensure stricter compliance with the CG Code, the Directors proposed to amend the Articles at the annual general meeting for the year of 2006 which: (a) specify if the number of Directors is not a multiple of three then the nearest number not less than one-third of the Directors shall retire from office; and (b) require the managing director of the Company shall be subject to retirement by rotation.

Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all of them meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines. All independent non-executive Directors have been appointed for a term of three years upon their appointment, and are eligible for re-appointment and subject to the retirement and re-election provisions contained in the Articles.

The Deputy Chairman oversees the overall management and operations of the Company. Major responsibilities includes approving the Company's overall business, financial and technical strategies, approving budgets and major expenditures, supervising and scrutinizing the performance of management. The Deputy Chairman has delegated the responsibility for drawing up the agenda for each Board meeting to the Company Secretary. With the support of Executive Directors and the Company Secretary, the Deputy Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner.

Management is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer who is delegated with the authority and responsible for running the Group's business, and implementation of the Group's strategy in achieving the overall commercial objectives.

Currently, Mr. Wong Yu Lung, Charles ("Mr. Wong") assumes the roles of Deputy Chairman and Chief Executive Officer of the Company.

Pursuant to the CG Code, roles of chairman and chief executive officer should be separate. To ensure compliance with the CG Code, the Board is considering an appropriate appointment of a chairman of the Company.

The Board operates in accordance with the Articles. It meets from time to time according to the business requirement of the Company. During the Year, the Board held five regular meetings and met more frequently as and when required. Details of the Directors' attendance at the regular board meetings during the Year are set out on page 17 of this annual report. In order to make timely decision and have effective implementation of the Company's policy and decision, written resolutions signed by all Directors have been adopted from time to time.

The Board is supported by two Board committees, namely Remuneration Committee and Audit Committee. Each committee has its defined scope of duties and terms of reference and the committee members are empowered to make decisions on matters within the terms of reference of each committee. The terms of reference of each committee are available on the Company's website.

At least 14 days' notice of a board meeting/committee meeting is given to all directors/committee members to provide them with an opportunity to attend and they are given an opportunity to include matters in the agenda for a board meeting/committee meeting. Agenda and accompanying board papers are sent in full to all Directors/committee members at least 3 days before the intended date of a Board meeting/committee meeting to ensure that they have sufficient time to review the papers and be adequately prepared for the meeting. When Directors/committee members are unable to attend a meeting, they are advised the matters to be discussed and given an opportunity to make their views known to the Deputy Chairman/Chairman of the committee prior to the Board meeting/committee meeting.

Directors/committee members are free to contribute alternative views at meetings and major decisions would only be taken after deliberation at Board/committee meetings. If a substantial shareholder or a Director has a conflict of interest in a manner to be considered by the Board which the Board has determined to be material, the matter would not be dealt with by way of circulation or by a committee but a board meeting would be held. Directors who are considered having conflict of interests or material interests in the proposed transactions or issues to be discussed, would not be counted in the quorum of meeting and would abstain from voting on the relevant resolution.

The Company Secretary is responsible for taking minutes of Board and committee meetings, which would be sent to directors within a reasonable time (generally within 7 days) after each meeting and be made available for inspection by Directors/committee members.

All Directors have access to the Company Secretary who is responsible for ensuring that the Board procedures are followed and complied with, and advising the Board on compliance matters.

Appropriate insurance cover on Directors' and officers' liabilities has been in force to protect the Directors and officers of the Group from their risk exposure arising from the businesses of the Group.

REMUNERATION COMMITTEE AND REMUNERATION OF DIRECTORS

The Remuneration Committee meets at least once a year. Details of its composition are set out on page 3 of this annual report. The principal responsibilities of Remuneration Committee include, among others, making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and reviewing the specific remuneration packages of all executive Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time. No Director and executive can determine his own remuneration. The terms of reference of the Remuneration Committee are posted on the Company's website.

During the Year, the Remuneration Committee held one meeting and reviewed the remuneration packages of the executive Directors and the overall remuneration policy of the Company. It also made recommendations to the Board regarding the above. Details of the committee members' attendance at the meeting during the Year are set out on page 17 of this annual report.

The remuneration for the executive Directors comprises basic salary, discretionary bonus, pensions and share options. They are based on the skill, knowledge and involvement in the Company's affairs of each executive Director and are determined by reference to the Company's performance, as well as remuneration benchmark in the industry and the prevailing market conditions. Details of the amount of Directors' remuneration for the Year are set out in note 7 to the financial statements of this annual report. Details of the Company's share option scheme are set out in the Directors' Report and note 28 to the financial statements of this annual report.

AUDIT COMMITTEE

The Audit Committee meets at least twice a year with its primary duties to oversee the financial reporting process and the adequacy and effectiveness of the Company's system of internal controls. All of its members are appointed from the independent non-executive Directors, with its Chairman having appropriate professional qualification and experience in financial matters. Details of its composition are set out on page 3 of this annual report. The terms of reference of the Audit Committee are posted on the Company's website.

During the Year, the Audit Committee met on four occasions, in addition to a number of informal discussions, in furtherance of its duties to review the truth and fairness of the Group's financial statements and to consider the nature and scope of external audit reviews. Details of the committee members' attendance at the meeting during the Year are set out on page 17 of this annual report.

NOMINATION OF DIRECTORS

The Company does not have a nomination committee, and the power to nominate or appoint additional directors is vested in the Board according to the Articles, in addition to the power of the shareholders to nominate any person to become a director of the Company in accordance with the Articles and the laws of Hong Kong.

The Board from time to time considers replenishing the composition of the Board whenever the Company requires to meet the business demand, opportunities and challenges and to comply with the laws and regulations. The nomination procedures basically follow the Articles which empowers the Board from time to time and at any time to appoint any person as a director either to fill a casual vacancy or as an addition to the Board. The Directors will select and evaluate the balance of skills, qualification, knowledge and experience of the candidate to the directorship as may be required by the Company from time to time by such means as the Company may deem fit. The Directors shall consider the candidate from a wide range of backgrounds, on his/her merits and against objective criteria set out by the Board and taking into consideration his/her time devoted to the position.

The Board appointed one additional Director in June 2005, namely Mr. Ding Chung Keung, Vincent as executive Director to the Board to meet the business needs of the Company.

DIRECTORS'/COMMITTEE MEMBERS' ATTENDANCE

Name of Directors	Board	Audit Committee	Remuneration Committee
	Number of meetings attended/held while being a director/committee member		
Executive Directors			
Mr. Wong Yu Lung, Charles *(Deputy Chairman and Chief Executive Officer)*	3/5		
Mr. Lan Ning *(Deputy Chief Executive Officer)*	1/5		
Mr. Ding Chung Keung, Vincent (appointed on 1 June 2005)	3/4		
Mr. Kee Wah Sze	5/5		1/1
Independent Non-Executive Directors			
Mr. Ip Yin Wah *(Chairman of both Audit Committee and Remuneration Committee)*	5/5	4/4	1/1
Mr. Ma Ho Fai JP	5/5	4/4	1/1
Mr. Melvin Jitsumi Shiraki	1/5	0/4	
Ex-directors			
Mr. Ko Po Ming (retired at the annual general Meeting held on 1 September 2005)	1/2		
Ms. Loh Jiah Yee, Katherine (resigned on 1 June 2005)	1/1		
Mr. Zhang Xiao Shu (resigned on 1 June 2005)	0/1		

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the model code as set out in Appendix 10 to the Listing Rules (the "Model Code"). All Directors have confirmed, following specific enquiry by the Company, that they fully complied with the Model Code throughout the Year.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the Year, the Group had the following connected transactions and continuing connected transactions, details of which are set out below:

(1) On 18 April 2005, the Company, as the tenant, and Wah Link Investments Limited ("Wah Link"), as the landlord, whereby the Company agreed to lease the premises located at Unit 3901A, 39th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong as its office for a term of two years commencing from 24 April 2005 at a monthly rental of HK$68,000 (exclusive of management fees, rate, government rent and operating expenses).

The landlord is beneficially owned by the spouse of Mr. Wong, the Deputy Chairman and Chief Executive Officer of the Company, and a close relative of Mr. Wong and is regarded as a connected person according to the Listing Rules. Details of which were announced on 19 April 2005.

(2) On 17 May 2005, a lending bank agreed to provide NIG a loan facility of up to RMB148,977,000 (the "Facility"). NIG, a company mainly engaged in the development of the construction project of Nanjing International Center Phase I and Phase II ("Nanjing Project"), is indirectly owned as to approximately 16.7% by the Company, as to approximately 16.7% by Wah Link Real Estate Investments Limited ("Wah Link RE") and as to approximately 66.6% by independent third parties not connected with the directors, chief executive and substantial shareholders of the Company respectively. In respect of the Facility, the Company, as covenantor, entered into an agreement to undertake with the lending bank (the "Funding Agreement") that it will be responsible for ensuring 16.7% of funds required to meet any construction cost overrun and any other associated costs from time to time are made available to NIG for the completion of Phase I of the Nanjing Project ("Cost Overrun and/or Pre-completion Expenses"). If there arises any Cost Overrun/Pre-completion Expenses or there happen any event of default, the Company shall purchase such number of residential units in the North Tower of Phase I of the Nanjing Project at RMB5,000 per square metre such that the total purchase price shall cover a maximum of 16.7% of the Facility or if so required by the lending bank, arrange a refinancing facility. The Company also undertook to ensure a maximum of 16.7% of the Facility when monies standing to the credit of NIG' bank account is less than the repayment amount when the Facility falls due (the "Relevant Amount") by purchase such number of residential units in the North Tower of Phase I of the Nanjing Project at RMB5,000 per square metre such that the total purchase price shall cover a maximum of 16.7% of the difference between the repayment amount and the Relevant Amount or if so required by the lending bank, arrange a refinancing facility. In any event, the Company is only responsible for up to 16.7% of such sum due under the Facility. At the same time, Sino Dynasty Investments Limited ("Sino Dynasty"), a wholly-owned subsidiary of the Company, Wah Link RE and Ace Intelligent Consultants Limited ("Ace Intelligent"), an associated company of the Company, signed an agreement in relation to the distribution of an arrangement fee of US$675,000 payable by NIG to Ace Intelligent for its service in procuring the Facility from the lending bank (the "Distribution Agreement"). Pursuant to the Distribution Agreement, Sino Dynasty was paid as to 16.7% of such amount.

Wah Link RE is a subsidiary of Wah Link and, pursuant to the Listing Rules, is regarded as a connected person of the Company, and NIG is a company in which both Wah Link RE and the Company have equity interests and Wah Link RE is entitled to control or exercise more than 10% of the voting power in its general meeting, the entering into the Funding Agreement and the Distribution Agreement constituted connected transactions of the Company. Details of the above were announced on 26 May 2005.

(3) On 27 June 2005, Perfect Honour Limited ("Perfect Honour"), a wholly-owned subsidiary of the Company, entered into an agreement with Mr. Xie Xiao Qing ("Mr. Xie") to acquire a further 11 ordinary shares in Rongzhong from Mr. Xie at a consideration of US$11. In addition, Perfect Honour also agreed to advance not more than HK$17 million to Rongzhong upon completion of the acquisition. As a result of such acquisition, Rongzhong became subsidiary of the Company.

Mr. Xie is a substantial shareholder of Rongzhong, pursuant to the Listing Rules, the acquisition of and the advance to Rongzhong constituted connected transactions. Details of which were announced on 6 July 2005.

(4) On 25 January 2006, the Company agreed to provide Goldbond Capital an unsecured revolving facility in the amount of up to HK$40,000,000 for a term of three years and an agreement has been entered between the parties.

Mr. Kee Wah Sze, a Director and a connected person of the Company, is indirectly beneficially interested in approximately 41.63% of GCHL. Pursuant to the Listing Rules, the transaction constituted continuing connected transaction of the Company and details of which were announced on 26 January 2006.

The above continuing connected transactions as stated in point no. 1 and 4 above had been reviewed by the independent non-executive Directors who had confirmed that they were entered into:

(a) in the ordinary and usual course of business of the Company;

(b) on normal commercial terms which are fair and reasonable so far as the shareholders of the Company were concerned; and

(c) in accordance with the terms of the respective agreements.

The external auditors of the Company had also confirmed in writing that the continuing connected transaction as stated in point no. 1 and 4 above:

(a) had been approved by the Board;

(b) were entered into in accordance with the relevant agreement governing the respective transactions; and

(c) the relevant amount of the respective continuing connected transaction did not exceed the limit as set out in the relevant announcement.

RELATED PARTY TRANSACTION

The Group also entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Certain details of these transactions are set out in note 35 to the financial statements.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group.

With the assistance of the Finance and Accounting Department, the Directors ensure the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the publication of the financial statements of the Group is in a timely manner.

The statement of the Auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Report of the Auditors on page 31.

AUDITORS' REMUNERATION

The remuneration for the Year in respect of audit services paid to the Company's auditors amounted to HK$1,028,000.

INTERNAL CONTROLS

The Board acknowledges its responsibility in maintaining sound and effective internal control system for the Group to safeguard investments of the shareholders and the Company's assets. The system of internal controls aims to help achieving the Group's business objectives, safeguarding assets and maintaining proper accounting records for provision of reliable financial information. The design of the system is to provide reasonable, but not absolute, assurance against material misstatement in the financial statements or loss of assets and to manage rather than eliminate risks of failure when business objectives are being sought.

The management reviews the internal control system and evaluates its adequacy, effectiveness and compliance. It has reported to the Audit Committee from time to time during the Year, in conjunction with key findings identified by the external auditors, findings and actions or measures taken in addressing those internal controls. The Audit Committee in turn reports any material issues to the Board. The Board, also reviews plan and progress on continuous improvement work of the Company's internal control system on a periodic basis.

Directors' Report

The Directors have pleasure in submitting their report together with the audited financial statements of the Group for the Year.

PLACE OF INCORPORATION OF THE COMPANY AND PRINCIPAL ACTIVITIES OF THE GROUP

The Company is an investment holding company incorporated in Hong Kong. The principal activities and other particulars of its subsidiaries are set out in note 13 on the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year and the state of the Group's and the Company's affairs as at 31 March 2006 are set out in the financial statements on pages 32 to 108.

The Directors did not recommend the payment of a dividend in respect of the Year (2005: HK$Nil).

SEGMENT INFORMATION

The Group's turnover and profit from operating activities for the Year were derived from (i) property leasing and development in Hong Kong; and (ii) financial services in the PRC. Segment analysis is set out in note 11 on the financial statements.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 12 of this annual report.

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in fixed assets and investment properties of the Group and the Company are set out in note 12 on the financial statements.

PROPERTIES

Particulars of the major properties and property interests of the Group are shown on page 13 of this annual report.

RESERVES AND DISTRIBUTABLE RESERVES

Movements during the Year in the reserves of the Group and the Company are set out in note 29 to the financial statements.

At 31 March 2006, the Company had no distributable reserve as calculated under Section 79B of the Hong Kong Companies Ordinance.

BANK LOANS

Particulars of bank loans of the Group and the Company as at 31 March 2006 are set out in note 22 of the financial statements.

SHARE CAPITAL

Details of the share capital of the Company during the Year are set out in note 29 to the financial statements.

CONVERTIBLE NOTES

Details of the convertible notes are set out in note 26 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of turnover and purchases attributable to the Group's five largest customers and suppliers respectively were both less than 30% during the Year.

RETIREMENT BENEFIT SCHEME

The Group operates a mandatory provident fund scheme. Particulars of which are set out in note 34 on the financial statements.

DIRECTORS AND SERVICE CONTRACTS

The Directors during the Year and up to the date of this report were:

Executive Directors

Mr. Wong Yu Lung, Charles	
Mr. Ding Chung Keung, Vincent	(appointed on 1 June 2005 and re-elected at the annual general meeting held on 1 September 2005)
Mr. Kee Wah Sze	
Mr. Lan Ning	
Mr. Ko Po Ming	(retired at the annual general meeting held on 1 September 2005)
Ms. Loh Jiah Yee, Katherine	(resigned on 1 June 2005)

Independent Non-Executive Directors

Mr. Ip Yin Wah	
Mr. Ma Ho Fai JP	
Mr. Melvin Jitsumi Shiraki	
Mr. Zhang Xiao Shu	(resigned on 1 June 2005)

Pursuant to article 117 and 118 of the Articles, Messrs. Lan Ning and Ma Ho Fai JP shall retire from the Board at the forthcoming annual general meeting (the "Meeting"). All retiring Directors, being eligible, offer themselves for re-election at the Meeting. Details of the retiring Directors standing for re-election are set out in the circular to the Company's shareholders sent together with this annual report.

No Directors being proposed for re-election at the Meeting has a service contract with the Company or any of its subsidiaries which are not determinable by the Group within one year without payment of compensation other than normal statutory obligations.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of the Directors are set out on pages 4 and 5 of this annual report.

DIRECTORS' REMUNERATION

Particulars of the Directors' remuneration disclosed pursuant to Section 161 of the Companies Ordinance and Appendix 16 of the Listing Rules are set out in note 7 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under the paragraph headed "Connected Transactions and Continuing Connected Transactions" on page 18 of this annual report and in note 35 to the financial statements in connection with the related party transactions, no contracts of significance in relation to the Group's business to which the Company and any of its subsidiaries was a party, and in which a Director had a material interest, whether directly or indirectly subsisted at the year-end or at any time during the Year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

At 31 March 2006, the Directors and chief executive of the Company ("Chief Executive") and their respective associates had the following interests 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 (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO:

Interests in ordinary shares of HK$0.1 each (the "Shares")/underlying Shares of the Company

Name of Director	Capacity	Number of Shares	Number of underlying Shares of share options of the Company	Number of underlying Shares of convertible notes of the Company	Approximate percentage of issued share capital of the Company
Mr. Wong Yu Lung, Charles ("Mr. Wong")	Interest in controlled corporation	497,232,000 *(Note 1 on page 26)*	–	–	29.91%
	Beneficial owner	–	16,000,000 *(Note 1)*	–	0.96%
	Interest of spouse	–	–	411,764,705 *(Note 3 on page 26)*	17.85% *(Note 7 on page 26)*
Mr. Kee Wah Sze ("Mr. Kee")	Interest in controlled corporation	405,889,643 *(Note 2)*	–	–	24.42%
	Beneficial owner	–	16,000,000 *(Note 1)*	–	0.96%
	Interest in controlled corporation	–	–	232,558,140 *(Note 5 on page 26)*	10.08% *(Note 7 on page 26)*
Mr. Ding Chung Keung, Vincent ("Mr. Ding")	Beneficial owner	2,600,000	–	–	0.16%
	Beneficial owner	–	16,000,000 *(Note 1)*	–	0.96%
Mr. Lan Ning ("Mr. Lan")	Beneficial owner	–	16,000,000 *(Note 1)*	–	0.96%
Mr. Ip Yin Wah ("Mr. Ip")	Beneficial owner	–	1,600,000 *(Note 3)*	–	0.096%
Mr. Ma Ho Fai JP ("Mr. Ma")	Beneficial owner	–	1,600,000 *(Note 3)*	–	0.096%
Mr. Melvin Jitsumi Shiraki ("Mr. Shiraki")	Beneficial owner	2,100,000	–	–	0.13%
	Beneficial owner	–	1,600,000 *(Note 3)*	–	0.096%

Interests in ordinary shares of HK$1.0 each of the associated corporation, namely, Goldbond Capital Holdings Limited

Name of Director	Capacity	Number of shares	Approximate percentage
Mr. Kee	Interest in controlled corporation	69,375,000	46.25%

Notes:

1. On 8 November 2004, each of Messrs. Wong, Kee, Ding and Lan was granted 16,000,000 options under the share option scheme of the Company to subscribe for 16,000,000 Shares, exercisable at a price of HK$0.148 per Share during the period from 1 January 2007 to 7 November 2014.

2. Out of these Shares, 67,001,300 Shares were held by Canasia Profits Corporation (which is wholly owned by Mr. Kee) and 338,888,343 Shares were held by Ace Solomon Investments Limited (which is owned as to 89% by Mr. Kee and as to 11% by Mr. Wong).

3. On 29 July 2005, each of Messrs. Ip, Ma and Shiraki was granted 1,600,000 options under the share option scheme of the Company to subscribe for 1,600,000 Shares, exercisable at a price of HK$0.132 per Share during the period from 1 January 2007 to 28 July 2015.

All the interests stated above represent long positions.

Save for those disclosed above, at 31 March 2006, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any Director or the Chief Executive or any its associated corporations which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code contained in the Listing Rules or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein. Nor any of the Directors and the Chief Executive (including their spouses and children under the age of 18) had, at 31 March 2006, any interest in, or had been granted any right to subscribe for the securities and options of the Company and its associated corporations within the meaning of the SFO, or had exercised any such rights.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

At 31 March 2006, the interests in Shares and/or underlying Shares of the Company of every person (other than the Directors and Chief Executive) as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Capacity	Number of Shares	Number of underlying Shares of share options of the Company	Number of underlying Shares of convertible notes of the Company	Approximate percentage of issued share capital of the Company
Allied Luck Trading Limited	Beneficial owner	497,232,000 *(Note 1)*	–	–	29.91%
Mrs. Wong Fang Pik Chun ("Mrs. Wong")	Interest in controlled corporation	497,232,000 *(Note 1)*	–	–	29.91%
	Interest of spouse	–	16,000,000 *(Note 2)*	–	0.96%
	Interest in controlled corporation	–	–	411,764,705 *(Note 3)*	17.85% *(Note 7)*
Mrs. Kee Yip Yue Lin, Loolina ("Mrs. Kee")	Interest of spouse	405,889,643 *(Note 4)*	–	–	24.42%
	Interest of spouse	–	16,000,000 *(Note 2)*	–	0.96%
	Interest of spouse	–	–	232,558,140 *(Note 5)*	10.08% *(Note 7)*
Ace Solomon Investments Limited	Beneficial owner	338,888,343 *(Note 6)*	–	–	20.39%
Wah Link	Beneficial owner	–	–	411,764,705 *(Note 3)*	17.85% *(Note 7)*
Golden Cloud Holdings Group Limited	Interest in controlled corporation	–	–	411,764,705 *(Note 3)*	17.85% *(Note 7)*
Mr. Wong Yu Hung, Davy	Interest in controlled corporation	–	–	411,764,705 *(Note 3)*	17.85% *(Note 7)*
Goldbond Capital Investment Holdings Limited	Beneficial owner	–	–	232,558,140 *(Note 5)*	10.08% *(Note 7)*
Legend (Asia Pacific) Investment Limited	Interest in controlled corporation	–	–	232,558,140 *(Note 5)*	10.08% *(Note 7)*
Grace Honour Limited	Interest in controlled corporation	–	–	232,558,140 *(Note 5)*	10.08% *(Note 7)*

Notes:

1. These Shares were held by Allied Luck Trading Limited which in turn owned as to 50% by Mr. Wong and as to 50% by Mrs. Wong, the spouse of Mr. Wong. As such, each of Mr. and Mrs. Wong was respectively taken to have an interest in such Shares by virtue of their respective shareholding interests in Allied Luck Trading Limited.

2. As disclosed in note 1 on page 24 of this report, each of Messrs. Wong and Kee was granted 16,000,000 options under the share option scheme of the Company to subscribe for 16,000,000 Shares. As such, each of Mrs. Wong and Mrs. Kee (the spouse of Mr. Kee) was respectively taken to have such interest in the underlying Shares under the provisions of the SFO.

3. These underlying Shares of a convertible note issued by the Company were owned by Wah Link and it is owned as to 99.9996% by Golden Cloud Holdings Group Limited and as to 0.0004% by Gold Choice Management Limited. Each of these companies is directly owned as to 51% by Mr. Wong Yu Hung, Davy, a family member of Mr. Wong and as to 49% by Mrs. Wong. As such, each of Golden Cloud Holdings Group Limited, Mrs. Wong and Mr. Wong Yu Hung, Davy was respectively taken to have an interest in the underlying Shares under the provisions of the SFO.

4. As disclosed in note 2 on page 24 of this report, these Shares were owned by Mr. Kee. By virtue of the SFO, Mrs. Kee was deemed to be interested in such Shares.

5. These underlying Shares of a convertible note issued by the Company were owned by Goldbond Capital Investment Holdings Limited and it is wholly owned by Legend (Asia Pacific) Investment Limited, which in turn, is owned as to 90% by Grace Honour Limited (which is wholly owned by Mr. Kee) and as to 10% by Central Executive Limited (which is wholly owned by Mr. Wong). As such, each of Goldbond Capital Investment Holdings Limited, Legend (Asia Pacific) Investment Limited, Grace Honour Limited was respectively taken to have an interest in the underlying Shares. Mrs. Kee was also taken to have an interest in the underlying Shares under the provisions of the SFO.

6. Ace Solomon Investments Limited is owned as to 89% by Mr. Kee and as to 11% by Mr. Wong.

7. The approximate percentage was calculated assuming the issued share capital of the Company has been enlarged by the issue of Shares pursuant to the aforesaid convertible notes, but no other options or convertible notes (if any).

All the interests stated above represent long positions.

Save for those disclosed above, at 31 March 2006, the Company had not been notified of any persons who had interests or short position in Shares and underlying Shares of the Company, which are required to be recorded in the register required to be kept under Section 336 of the SFO.

SHARE OPTION SCHEME

Particulars of the Company's share option scheme (the "Scheme") are set out in note 28 to the financial statements.

Details of the share options granted under the Scheme and the outstanding options as at 31 March 2006 are as follows:

				Number of share options					
Grantee	Date of grant	Exercise price *(HK$)*	Exercisable period	Outstanding at 31 March 2005	Granted during the Year	Exercised during the Year	Transfer (to)/ from other category during the Year	Lapsed during the Year	Outstanding at 31 March 2006 *(Note 6)*
Directors									
Mr. Wong	8 Nov 2004	0.148	1 Jan 2007 – 7 Nov 2014	16,000,000	–	–	–	–	16,000,000
Mr. Ding *(Note 1)*	8 Nov 2004	0.148	1 Jan 2007 – 7 Nov 2014	–	–	–	16,000,000	–	16,000,000
Mr. Kee	8 Nov 2004	0.148	1 Jan 2007 – 7 Nov 2014	16,000,000	–	–	–	–	16,000,000
Mr. Lan	8 Nov 2004	0.148	1 Jan 2007 – 7 Nov 2014	16,000,000	–	–	–	–	16,000,000
Mr. Ip	29 July 2005	0.132 *(Note 4)*	1 Jan 2007 – 28 July 2015	–	1,600,000	–	–	–	1,600,000
Mr. Ma	29 July 2005	0.132 *(Note 4)*	1 Jan 2007 – 28 July 2015	–	1,600,000	–	–	–	1,600,000
Mr. Shiraki	29 July 2005	0.132 *(Note 4)*	1 Jan 2007 – 28 July 2015	–	1,600,000	–	–	–	1,600,000
Ex-directors									
Mr. Ko Po Ming *(Note 2)*	8 Nov 2004	0.148	1 Jan 2007 – 7 Nov 2014	16,000,000	–	–	(16,000,000)	–	–
Ms. Loh Jiah Yee, Katherine *(Note 3)*	8 Nov 2004	0.148	1 Jan 2007 – 7 Nov 2014	16,000,000	–	–	–	(16,000,000)	–
Other eligible employees, in aggregate	8 Nov 2004	0.148	1 Jan 2007 – 7 Nov 2014	51,000,000	–	–	–	(2,000,000)	49,000,000
	30 May 2005	0.136 *(Note 5)*	1 Jan 2007 – 29 May 2015	–	16,000,000	–	–	–	16,000,000
				131,000,000	20,800,000	–	–	(18,000,000)	133,800,000

Notes:

1. Mr. Ding was appointed as an Executive Director of the Company on 1 June 2005. The options granted to him were re-classified from the category of "Other eligible employees" to the category of "Directors" during the Year;

2. Mr. Ko Po Ming retired on 1 September 2005 but remained eligible employee under the Scheme. In this respect, the options granted to him were re-classified from the category of "Directors" to the category of "Other eligible employees" during the Year;

3. Ms. Loh Jiah Yee, Katherine resigned and ceased to be eligible employee during the Year. The options granted to her were lapsed during the Year;

4. The closing price immediately before the date of grant was HK$0.132;

5. The closing price immediately before the date of grant was HK$0.138; and

6. All options are to be vested on 1 January 2007.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor its subsidiary has purchased, sold or redeemed any of the Company's listed securities during the Year.

CONTINUING DISCLOSURE REQUIREMENTS

(A) Pursuant to rule 13.20 of the Listing Rules, the following information, at 31 March 2006, is hereby included:

Name of the entity	Attributable interest held by the Group	Advances/ Guarantee given *HK$'000*	Interest rate p.a.	Collateral	Repayment term
Jointly controlled entities					
Nanjing City Plaza Construction Co., Ltd ("NCP") *(Note 1)*	25%	11,643	2% above prime rate *(Note 4)*	Unsecured	On demand
NCP *(Note 2)*	25%	29,250	–	–	–
Nanjing International Group Ltd ("NIG") *(Note 3)*	16.74%	23,922	–	–	–
		64,815			

Notes:

1. The advance was used for the purpose of subscribing new shares in NIG in February 2004.

2. The Company provided a guarantee to NCP in June 2004 amounted to US$3,750,000 (equivalent to approximately HK$29,250,000) for a banking facility of US$15,000,000. Such facility had been fully utilized at 31 March 2006.

3. As one of the conditions precedent for a lending bank to grant a loan facility to NIG, the Company took on funding undertakings and buy-back undertakings in May 2005 in an aggregate amount of up to RMB24,879,000 (equivalent to approximately HK$23,922,000). Details of the undertakings are set out in the Company's circular dated 14 June 2005. Such facility had been fully utilized at 31 March 2006.

4. Prime rate represents the best lending rate as quoted by The Hongkong and Shanghai Banking Corporation Limited from time to time.

(B) Pursuant to rule 13.22 of the Listing Rules, a proforma combined balance sheet of affiliated companies at 31 March 2006 is hereby presented as below:

Assets and liabilities

	HK$'000
Non-current assets	324,740
Current assets	1,903,540
Current liabilities	(750,134)
Non-current liabilities	(808,894)
Net assets	669,252
Share capital	205,336
Reserves	214,616
Minority interests	249,300
Total equity	669,252
Group's pro forma attributable interest	96,104

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, there is sufficient public float of more than 25% of the Shares in the market as required under the Listing Rules.

AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the Meeting.

On behalf of the Board

Wong Yu Lung, Charles
Deputy Chairman and Chief Executive Officer

Hong Kong
6 July 2006

Auditors' Report

Auditors' report to the shareholders of
Goldbond Group Holdings Limited
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 32 to 108 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Hong Kong Companies Ordinance requires the directors to prepare 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, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

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 141 of the Hong Kong Companies Ordinance, 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 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 company's and the group's circumstances, 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 group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
Hong Kong, 6 July 2006

Consolidated Income Statement

For the year ended 31 March 2006
(Expressed in Hong Kong dollars)

	Note	2006 $'000	2005 (restated) $'000
Turnover	3	**39,962**	24,735
Direct outgoings		**(6,040)**	(3,893)
		33,922	20,842
Other revenue	4	**4,446**	3,905
Other net income/(loss)	4	**2,163**	(136)
Selling and administrative expenses		**(41,885)**	(20,800)
Other operating expenses	5(c)	**(14,299)**	(2,400)
Change in fair value of investment properties	12	**39,838**	40,464
Profit from operations		**24,185**	41,875
Finance costs	5(a)	**(17,705)**	(2,495)
Share of profit/(loss) of associate		**5,784**	(1,351)
Share of profits/(losses) of jointly controlled entities		**704**	(3,198)
Profit before taxation	5	**12,968**	34,831
Income tax	6(a)	**(9,107)**	(7,748)
Profit for the year		**3,861**	27,083
Attributable to:			
Equity shareholders of the company	9, 29	**3,861**	27,083
Minority interests		**–**	–
Profit for the year		**3,861**	27,083
Earnings per share	10		
Basic		**0.23 cents**	1.63 cents
Diluted		**N/A**	1.36 cents

The notes on pages 40 to 108 form part of these financial statements.

Consolidated Balance Sheet

At 31 March 2006
(Expressed in Hong Kong dollars)

	Note	2006 $'000	2005 (restated) $'000
Non-current assets			
Fixed assets	12(a)		
– investment properties		**458,700**	415,108
– plant and equipment		**5,592**	779
		464,292	415,887
Interest in associate	14	**35,538**	29,280
Interest in jointly controlled entities	15	**95,467**	126,549
Intangible assets	16	**3,000**	3,000
		598,297	574,716
Current assets			
Loan to associate	14	**40,260**	–
Amounts due from jointly controlled entities	15	**11,643**	11,315
Trading securities	17	**225**	–
Properties held for sale	18	**7,634**	–
Trade and other receivables	19	**29,577**	9,234
Current tax recoverable	27(a)	**–**	311
Security deposits	20	**18,848**	–
Pledged deposits	22	**20,261**	20,005
Cash and cash equivalents	21	**26,292**	13,314
		154,740	54,179
Current liabilities			
Interest-bearing bank loans	22	**62,074**	13,412
Amount due to a related company	23	**26,302**	–
Amounts due to minority shareholders	24	**15,740**	–
Current taxation	27(a)	**848**	–
Other payables and accruals	25	**29,261**	14,340
		134,225	27,752
Net current assets		**20,515**	26,427
Total assets less current liabilities		**618,812**	601,143

Consolidated Balance Sheet (Continued)

At 31 March 2006
(Expressed in Hong Kong dollars)

	Note	2006 $'000	2005 (restated) $'000
Non-current liabilities			
Interest-bearing bank loans	22	**151,006**	164,580
Amounts due to minority shareholders	24	**3,194**	–
Convertible notes	26	**88,904**	100,000
Redeemable convertible preference shares	30	**1,194**	6,840
Deferred taxation	27(b)	**17,000**	9,583
		261,298	281,003
Net assets		**357,514**	320,140
Capital and reserves			
Share capital	29	**166,244**	166,244
Reserves	29	**191,270**	153,896
Total equity attributable to equity shareholders of the company		**357,514**	320,140
Minority interests		**–**	–
Total equity		**357,514**	320,140

Approved and authorised for issue by the board of directors on 6 July 2006.

Wong Yu Lung, Charles
Director

Ding Chung Keung, Vincent
Director

The notes on pages 40 to 108 form part of these financial statements.

Balance Sheet

At 31 March 2006
(Expressed in Hong Kong dollars)

	Note	2006 $'000	2005 (restated) $'000
Non-current assets			
Plant and equipment	12(b)	**496**	768
Interest in subsidiaries	13	**360,945**	389,830
Intangible assets	16	**3,000**	3,000
		364,441	393,598
Current assets			
Loan to associate	14	**40,260**	–
Trading securities	17	**225**	–
Trade and other receivables	19	**84**	148
Pledged deposits	22	**20,261**	20,005
Cash and cash equivalents	21	**349**	9,538
		61,179	29,691
Current liabilities			
Interest-bearing bank loans	22	**46,500**	–
Amount due to a subsidiary	13	**25,918**	33,430
Other payables and accruals	25	**4,367**	4,575
		76,785	38,005
Net current liabilities		**(15,606)**	(8,314)
Total assets less current liabilities		**348,835**	385,284
Non-current liabilities			
Convertible notes	26	**88,904**	100,000
Redeemable convertible preference shares	30	**1,194**	6,840
		90,098	106,840
Net assets		**258,737**	278,444

Balance Sheet (Continued)

At 31 March 2006
(Expressed in Hong Kong dollars)

	Note	**2006**	2005 (restated)
		$'000	$'000
Capital and reserves			
Share capital	29	**166,244**	166,244
Reserves	29	**92,493**	112,200
Total equity		**258,737**	278,444

Approved and authorised for issue by the board of directors on 6 July 2006.

Wong Yu Lung, Charles
Director

Ding Chung Keung, Vincent
Director

The notes on pages 40 to 108 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2006
(Expressed in Hong Kong dollars)

	Note	**2006** $'000	**2006** $'000	2005 (restated) $'000	2005 (restated) $'000
Total equity at 1 April					
As previously reported – attributable to equity shareholders of the company	29	**326,980**		299,045	
Prior period adjustments arising from changes in accounting policies	29	**(6,840)**		(6,840)	
As restated, before opening balance adjustments	29	**320,140**		292,205	
Opening balance adjustments arising from changes in accounting policies	29	**29,708**		–	
At 1 April, after prior year and opening balance adjustments			**349,848**		292,205
Net income for the year recognised directly in equity					
Exchange difference on translation of financial statements of entities outside Hong Kong	29		**1,696**		–
Net profit for the year	29		**3,861**		27,083
Total recognised income for the year carried forward			**5,557**		27,083
Attributable to:					
– Shareholders of the company		**5,557**		27,083	
– Minority interests		**–**		–	
		5,557		27,083	
Movements in shareholders' equity arising from capital transactions with equity shareholders of the company:					
Equity settled share-based transactions	29		**2,109**		852
Total equity at 31 March			**357,514**		320,140

The notes on pages 40 to 108 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2006
(Expressed in Hong Kong dollars)

	Note	2006 $'000	2005 (restated) $'000
Operating activities			
Profit from ordinary activities before taxation		**12,968**	34,831
Adjustments for:			
– Dividend income from listed securities		**(86)**	–
– Depreciation		**1,014**	187
– Finance costs		**17,705**	2,495
– Impairment loss on amount due from jointly controlled entity		**2,888**	2,400
– Net (gain)/loss on disposal of fixed assets		**(5)**	136
– Share of (profit)/loss of associate		**(5,784)**	1,351
– Share of (profits)/losses of jointly controlled entities		**(704)**	3,198
– Change in fair value of investment properties		**(39,838)**	(40,464)
– Interest income		**(2,273)**	(1,332)
– Write-back of long-outstanding payables		**–**	(1,352)
– Net realised and unrealised gains on trading securities carried at fair value		**(2,158)**	–
– Equity-settled share-based payment expenses		**2,109**	852
– Impairment loss on trade receivables		**556**	–
– Impairment of goodwill		**11,411**	–
– Effect of foreign exchange rate		**310**	–
Operating results before changes in working capital		**(1,887)**	2,302
Decrease in trade and other receivables		**12,070**	702
Increase in properties held for sale		**(7,634)**	–
Increase in security deposits		**(9,147)**	–
Increase/(decrease) in other payables and accruals		**4,437**	(7)
Cash (used in)/generated from operations		**(2,161)**	2,997
Tax refund received		**89**	293
Hong Kong Profits Tax paid		**(620)**	(674)
Net cash (used in)/generated from operating activities		**(2,692)**	2,616

Consolidated Cash Flow Statement (Continued)

For the year ended 31 March 2006
(Expressed in Hong Kong dollars)

	Note	2006 $'000	2005 (restated) $'000
Investing activities			
Interest received		**594**	75
Dividend received from listed securities		**86**	–
Dividend received from jointly controlled entity		**500**	–
Proceeds from disposal of fixed assets		**158**	441
Proceeds from disposal of other investments		**–**	5,850
Net cash inflow upon acquisition of subsidiaries	32	**5,548**	–
Loans to jointly controlled entities		**–**	(39,623)
Loan to associate		**(40,000)**	–
Loans to employees		**(18,077)**	–
Payments for acquisition of associate		**–**	(631)
Contribution made to Gobi Fund		**–**	(2,340)
Payments for purchase of fixed assets		**(5,041)**	(5,311)
Proceeds from disposal of trading securities		**12,950**	–
Payment for purchases of trading securities		**(11,017)**	–
Net cash used in investing activities		**(54,299)**	(41,539)
Financing activities			
Proceeds from convertible notes		**–**	70,000
Repayment of bank loans		**(24,412)**	(12,773)
Repayment of loan from a related company		**–**	(12,078)
Payment of loan interest		**(10,099)**	(2,495)
Amount due to a related company		**26,302**	–
Amount due to minority shareholders		**18,934**	–
Proceeds from bank loans		**59,500**	–
Addition of pledged deposits		**(20,261)**	–
Release of pledged deposits		**20,005**	–
Net cash generated from financing activities		**69,969**	42,654
Net increase in cash and cash equivalents		**12,978**	3,731
Cash and cash equivalents at the beginning of the year		**13,314**	9,583
Cash and cash equivalents at the end of the year	21	**26,292**	13,314

The notes on pages 40 to 108 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). A summary of the significant accounting policies adopted by the group is set out below.

The HKICPA has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. Information on the changes in accounting policies resulting from initial application of these new and revised HKFRSs for the current and prior accounting periods reflected in these financial statements is provided in note 2.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2006 comprise the company and its subsidiaries (together referred to as the "group") and the group's interest in associate and jointly controlled entities.

The measurement basis used in the preparation of the financial statements is the historical cost basis except as set out in the accounting policies below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements and estimates made by management in the application of HKFRSs that have significant effect on the financial statements are discussed in note 38.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Subsidiaries and controlled entities

A subsidiary, in accordance with the Hong Kong Companies Ordinance, is a company in which the group, directly or indirectly, holds more than half of the issued share capital or controls more than half the voting power or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the group has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

An investment in a controlled subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the company. Minority interests in the results of the group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interest and the equity shareholders of the company.

Where losses applicable to the minority exceed the minority interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the group's interest is allocated all such profits until the minority's share of losses previously absorbed by the group has been recovered.

In the company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(k)).

(d) Associates and jointly controlled entities

An associate is an entity in which the group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the group and other parties, where the contractual arrangement establishes that the group or company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the group's share of the associate's or the jointly controlled entity's net assets. The consolidated income statement includes the group's share of the post-acquisition, post-tax results of the associates and jointly controlled entities for the year, including any impairment loss on goodwill relating to the investment in associates and jointly controlled entities recognised for the year (see note 1(e) and (k)).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Associates and jointly controlled entities (Continued)

When the group's share of losses exceeds its interest in the associate or the jointly controlled entity, the group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the group has incurred legal or constructive obligations or made payment on behalf of the associate or the jointly controlled entity. For this purpose, the group's interest in the associate or the jointly controlled entity is the carrying amount of the investment under the equity method together with the group's long-term interests that in substance form part of the group's net investment in the associate or the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the group and its associate and its jointly controlled entities are eliminated to the extent of the group's interest in the associate or jointly controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated income statement.

(e) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate or a jointly controlled entity over the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 1(k)). In respect of associates or jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the interest in the associate or jointly controlled entity.

Any excess of the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate or a jointly controlled entity is recognised immediately in the consolidated income statement.

On disposal of a cash generating unit, an associate or a jointly controlled entity during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Other investments in equity securities

The group's and the company's policies for investments in equity securities other than investments in subsidiaries, associate and jointly controlled entities are as follows:

Investments in securities held for trading are classified as current assets and are initially stated at fair value. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in the income statement.

Investments are recognised/derecognised on the date the group or the company commits to purchase/sell the investments or they expire.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(j)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in the income statement. Rental income from investment properties is accounted for as described in note 1(v)(i).

When the group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 1(j)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 1(j).

(h) Plant and equipment

Plant and equipment is stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(k)).

Gains or losses arising from the retirement or disposal of a plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the income statement on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Motor vehicles	5 years
– Furniture, fixtures and other fixed assets	3 to 5 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

(i) Intangible assets

Intangible assets that are acquired by the group are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is other than indefinite) and impairment losses (see note 1(k)). Intangible assets with indefinite useful life are stated at cost less accumulated impairment losses and are tested annually for impairment (see note 1(k)).

The useful lives of intangible assets that are considered to be indefinite are reviewed annually.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Leased assets

(i) Classification of assets leased to the group

Assets that are held by the group under leases which transfer to the group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the group are classified as operating leases, except for property held under operating leases that would otherwise meet the definition of an investment property which is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 1(g)).

(ii) Operating lease charges

Where the group has the use of assets under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

(k) Impairment of assets

(i) Impairment of receivables

Current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

– For current receivables that are carried at cost, the impairment loss is measured as the difference between the carrying amount of the receivables and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for current receivables are reversed if in a subsequent period the amount of the impairment loss decreases.

– For financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets).

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of assets (Continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– plant and equipment;

– intangible assets;

– investments in subsidiaries, associate and jointly controlled entities; and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in the income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 1(k)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 1(k)).

(m) Properties held for sale

Properties held for sale is stated at the lower of cost and net realisable value.

Cost is calculated using the specific identification cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the property to its present location and condition.

Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

When properties held for sale are sold, the carrying amount of those properties is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of properties to net realisable value and all losses of properties are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of properties is recognised as a reduction in the amount of properties recognised as an expense in the period in which the reversal occurs.

(n) Convertible notes

Convertible notes that can be converted to share capital at the option of the holder, where the number of shares issued does not vary with changes in their fair value, are accounted for as compound financial instruments. At initial recognition the liability component of the convertible notes is calculated as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in the income statement on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the note is converted or redeemed.

If the note is converted, the capital reserve, together with the carrying value of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the capital reserve is released directly to retained profits.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings using the effective interest method.

(p) Redeemable convertible preference shares

Preference shares are classified as equity if they are non-redeemable and any dividends are discretionary, or are redeemable but only at the company's option. Dividends on preference shares classified as equity are recognised as distributions within equity. Other preference shares are classified as a liability and dividends thereon are recognised on an accruals basis in the income statement as part of finance costs. Preference shares that are convertible to ordinary shares at the option of the holder, where the number of shares issued does not vary with changes in their fair value, are accounted for as described in note 1(n).

(q) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(s) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Employee benefits (Continued)

(ii) *Share-based payments*

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at the grant date using the binomial lattice model, taking into account the terms and conditions upon which the share options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the share options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the income statement for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On the vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the company's shares. The equity amount is recognised in the capital reserve until either the share option is exercised (when it is transferred to the share premium account) or the share option expires (when it is released directly to retained profits).

(iii) *Termination benefits*

Termination benefits are recognised when, and only when, the group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Income tax (Continued)

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, the company or the group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the company or the group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the group or the company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(v) Revenue recognition

Provided it is probable that the economic benefits will flow to the group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) Rental income from operating leases

Rental income receivable under operating leases is recognised in the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable.

(ii) Guarantee services income

Guarantee services income and related service income are recognised in the income statement in equal instalments over the guaranteed period, except where an alternative basis is more representative of the pattern of benefits to be derived from guarantee services.

(iii) Management fee income

Management fee income is recognised when the management service is rendered.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(v) Dividends

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rate approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1 April 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of a foreign operation acquired before 1 April 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

(x) Borrowing costs

Borrowing costs are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(y) Related parties

For the purposes of these financial statements, parties are considered to be related to the group if the group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the group 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 entities and include entities which are under the significant influence of related parties of the group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the group or of any entity that is a related party of the group.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) Segment reporting

A segment is a distinguishable component of the group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the group's internal financial reporting system, the group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs that are effective for accounting periods beginning on or after 1 January 2005.

The accounting policies of the group and/or company after the adoption of these new and revised HKFRSs have been summarised in note 1. The following sets out information on the significant changes in accounting policies for the current and prior accounting periods reflected in these financial statements.

The group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 39).

(a) Restatement of prior periods and opening balances

The following tables disclose the adjustments that have been made in accordance with the transitional provisions of the respective HKFRSs to each of the line items in the consolidated income statement and balance sheet and the company's balance sheet and other significant related disclosure items as previously reported for the year ended 31 March 2005. The effects of the changes in accounting policies on the balances at 1 April 2004 and 2005 are disclosed in note 29.

(i) Effect on the consolidated financial statements

Consolidated income statement for the year ended 31 March 2005

	2005 (as previously reported)	Effect of new policy (increase/(decrease) in profit for the year)			2005 (as restated)
		HKAS 1 (note 2(e))	HKFRS 2 (note 2(c))	Sub-total	
	$'000	$'000	$'000	$'000	$'000
Turnover	24,735	–	–	–	24,735
Direct outgoings	(3,893)	–	–	–	(3,893)
	20,842	–	–	–	20,842
Other revenue	3,905	–	–	–	3,905
Other net loss	(136)	–	–	–	(136)
Administrative expenses	(19,948)	–	(852)	(852)	(20,800)
Other operating expenses	(2,400)	–	–	–	(2,400)
Change in fair value of investment properties	40,464	–	–	–	40,464
Profit from operations	42,727	–	(852)	(852)	41,875
Finance costs	(2,495)	–	–	–	(2,495)
Share of loss of associate	(1,351)	–	–	–	(1,351)
Share of losses of jointly controlled entities	(4,654)	1,456	–	1,456	(3,198)
Profit before taxation	34,227	1,456	(852)	604	34,831
Income tax	(6,292)	(1,456)	–	(1,456)	(7,748)
Profit for the year	27,935	–	(852)	(852)	27,083

2 CHANGES IN ACCOUNTING POLICIES (Continued)

(a) Restatement of prior periods and opening balances (Continued)

(i) Effect on the consolidated financial statements (Continued)

Consolidated income statement for the year ended 31 March 2005 (Continued)

	2005 (as previously reported)	Effect of new policy (increase/(decrease) in profit for the year)			2005 (as restated)
		HKAS 1 (note 2(e))	HKFRS 2 (note 2(c))	Sub-total	
	$'000	$'000	$'000	$'000	$'000
Attributable to:					
Equity shareholders of the company	27,935	–	(852)	(852)	27,083
Earnings per share					
Basic (cents)	1.68	–	(0.05)	(0.05)	1.63
Diluted (cents)	1.40	–	(0.04)	(0.04)	1.36
Other significant disclosure item:					
Staff costs	(9,812)	–	(852)	(852)	(10,664)

2 CHANGES IN ACCOUNTING POLICIES (Continued)

(a) Restatement of prior periods and opening balances (Continued)

(i) Effect on the consolidated financial statements (Continued)

Consolidated balance sheet at 31 March 2005

	2005 (as previously reported)	Effect of new policy (increase/(decrease) in net assets) HKFRS 2 (note 2(c))	HKAS 32 (note 2(f))	Sub-total	2005 (as restated)
	$'000	$'000	$'000	$'000	$'000
Total assets less current liabilities	601,143	–	–	–	601,143
Non-current liabilities					
Interest-bearing bank loans	(164,580)	–	–	–	(164,580)
Convertible notes	(100,000)	–	–	–	(100,000)
Redeemable convertible preference shares	–	–	(6,840)	(6,840)	(6,840)
Deferred taxation	(9,583)	–	–	–	(9,583)
	(274,163)	–	(6,840)	(6,840)	(281,003)
NET ASSETS	326,980	–	(6,840)	(6,840)	320,140
CAPITAL AND RESERVES					
Attributable to equity shareholders of the company					
Share capital	173,084	–	(6,840)	(6,840)	166,244
Share premium	97,713	–	–	–	97,713
Capital reserve	5,000	852	–	852	5,852
Revaluation reserve	3,000	–	–	–	3,000
General reserve	6,000	–	–	–	6,000
Retained profits	42,183	(852)	–	(852)	41,331
	326,980	–	(6,840)	(6,840)	320,140

2 CHANGES IN ACCOUNTING POLICIES (Continued)

(a) Restatement of prior periods and opening balances (Continued)

(ii) Effect on the company's balance sheet

Balance sheet at 31 March 2005

	2005 (as previously reported)	Effect of new policy (increase/(decrease) in net assets) HKFRS 2 (note 2(c))	HKAS 32 (note 2(f))	Sub-total	2005 (as restated)
	$'000	$'000	$'000	$'000	$'000
Total assets less current liabilities	385,284	–	–	–	385,284
Non-current liabilities					
Convertible notes	(100,000)	–	–	–	(100,000)
Redeemable convertible preference shares	–	–	(6,840)	(6,840)	(6,840)
	(100,000)	–	(6,840)	(6,840)	(106,840)
NET ASSETS	285,284	–	(6,840)	(6,840)	278,444
CAPITAL AND RESERVES					
Share capital	173,084	–	(6,840)	(6,840)	166,244
Share premium	97,713	–	–	–	97,713
Capital reserve	–	852	–	852	852
Revaluation reserve	3,000	–	–	–	3,000
General reserve	6,000	–	–	–	6,000
Retained profits	5,487	(852)	–	(852)	4,635
	285,284	–	(6,840)	(6,840)	278,444

2 CHANGES IN ACCOUNTING POLICIES (Continued)

(b) Estimated effect of changes in accounting policies on the current period

The following tables provide estimates of the extent to which each of the line items in the consolidated income statement and balance sheet and the company's balance sheet and other significant related disclosure items for the year ended 31 March 2006 is higher or lower than it would have been had the previous policies still been applied in the year, where it is practicable to make such estimates.

(i) Effect on the consolidated financial statements

Estimated effect on the consolidated income statement for the year ended 31 March 2006

	Estimated effect of new policy (increase/(decrease) in profit for the year)			
	HKFRS 2 (note 2(c)) $'000	**HKAS 1** (note 2(e)) $'000	**HKAS 32 & 39** (note 2(f)) $'000	**Total** $'000
Selling and administrative expenses	(2,109)	–	–	(2,109)
Profit from operations	(2,109)	–	–	(2,109)
Finance costs	–	–	(7,606)	(7,606)
Share of profit/(loss) of associate	–	(983)	–	(983)
Share of profits/(losses) of jointly controlled entities	–	(1,213)	–	(1,213)
Profit before taxation	(2,109)	(2,196)	(7,606)	(11,911)
Income tax	–	2,196	–	2,196
Profit for the year	(2,109)	–	(7,606)	(9,715)
Attributable to:				
Equity shareholders of the company	(2,109)	–	(7,606)	(9,715)
Minority interests	–	–	–	–
Profit for the year	(2,109)	–	(7,606)	(9,715)
Earnings per share				
Basic (cents)	(0.13)	–	(0.46)	(0.59)
Diluted (cents)	–	–	–	–
Other significant disclosure item:				
Staff costs	(2,109)	–	–	(2,109)

2 CHANGES IN ACCOUNTING POLICIES (Continued)

(b) Estimated effect of changes in accounting policies on the current period (Continued)

(i) Effect on the consolidated financial statements (Continued)

Estimated effect on the consolidated balance sheet at 31 March 2006

	Estimated effect of new policy (increase/(decrease) in net assets)			
	HKFRS 2 (note 2(c)) $'000	**HKFRS 3** (note 2(d)) $'000	**HKAS 32 & 39** (note 2(f)) $'000	**Total** $'000
Non-current assets				
Interest in associate	–	474	–	474
Interest in jointly controlled entities	–	4,886	–	4,886
	–	5,360	–	5,360
Non-current liabilities				
Convertible notes	–	–	11,096	11,096
Redeemable convertible preference shares	–	–	(1,194)	(1,194)
	–	–	9,902	9,902
NET ASSETS	–	5,360	9,902	15,262
Effect attributable to equity shareholders of the company				
Share capital	–	–	(6,840)	(6,840)
Capital reserve	2,961	(5,000)	22,297	20,258
Retained profits	(2,961)	10,360	(5,555)	1,844
	–	5,360	9,902	15,262
Effect attributable to minority interests	–	–	–	–
	–	5,360	9,902	15,262

2 CHANGES IN ACCOUNTING POLICIES (Continued)

(b) Estimated effect of changes in accounting policies on the current period (Continued)

(i) Effect on the consolidated financial statements (Continued)

Estimated effect on amounts recognised as capital transactions with owners of the group for the year ended 31 March 2006

	Effect of new policy (increase/(decrease))
	HKFRS 2 (note 2(c)) $'000
Attributable to equity shareholders of the company	(2,109)
Minority interests	–
Total equity	(2,109)

(ii) Effect on the company's balance sheet

Estimated effect on the balance sheet at 31 March 2006

	Estimated effect of new policy (increase/(decrease) in net assets)		
	HKFRS 2 (note 2(c)) $'000	**HKAS 32 & 39** (note 2(f)) $'000	**Total** $'000
Non-current liabilities			
Convertible notes	–	11,096	11,096
Redeemable convertible preference shares	–	(1,194)	(1,194)
NET ASSETS	–	9,902	9,902
CAPITAL AND RESERVES			
Share capital	–	(6,840)	(6,840)
Capital reserve	2,961	22,297	25,258
Revaluation reserve	–	–	–
Retained profits	(2,961)	(5,555)	(8,516)
	–	9,902	9,902

2 CHANGES IN ACCOUNTING POLICIES (Continued)

(b) Estimated effect of changes in accounting policies on the current period (Continued)

(ii) Effect on the company's balance sheet (Continued)

Estimated effect on amounts recognised as capital transactions with owners of the company for the year ended 31 March 2006

	Effect of new policy (increase/(decrease))
	HKFRS 2 (note 2(c)) $'000
Attributable to equity shareholders of the company	(2,109)

(c) Employee share option scheme (HKFRS 2, Share-based payment)

In prior years, no amounts were recognised when employees (which term includes directors) were granted options over ordinary shares of the company. If the employees chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the option's exercise price receivable.

With effect from 1 April 2005, in order to comply with HKFRS 2, the group has adopted a new policy for employee share options. Under the new policy, the group recognises the fair value of such options as an expense with a corresponding increase recognised in a capital reserve within equity. Further details of the new policy are set out in note 1(s)(ii).

The new accounting policy has been applied retrospectively with comparatives restated, except that the group has taken advantage of the transitional provisions set out in HKFRS 2, under which the new recognition and measurement policies have not been applied to the following grants of options:

(a) all options granted to employees on or before 7 November 2002; and

(b) all options granted to employees after 7 November 2002 but which had vested before 1 January 2005.

The adjustments for each financial statement line affected for the years ended 31 March 2005 and 2006 are set out in notes 2(a) and (b). No adjustments to the opening balances as at 1 April 2004 are required as no options existed at that date.

Details of the employee share option scheme are set out in note 28.

2 CHANGES IN ACCOUNTING POLICIES (Continued)

(d) Amortisation of positive and negative goodwill (HKFRS 3, Business combinations and HKAS 36, Impairment of assets)

Amortisation of goodwill

In prior years:

– positive or negative goodwill which arose prior to 1 January 2001 was taken directly to reserves at the time it arose, and was not recognised in the income statement until disposal or impairment of the acquired business;

– positive goodwill which arose on or after 1 January 2001 was amortised on a straight line basis over its useful life and was subject to impairment testing when there were indications of impairment; and

– negative goodwill which arose on or after 1 January 2001 was amortised over the weighted average useful life of the depreciable/amortisable non-monetary assets acquired, except to the extent it related to identified expected future losses as at the date of acquisition. In such cases it was recognised in the income statement as those expected losses were incurred.

With effect from 1 April 2005, in order to comply with HKFRS 3 and HKAS 36, the group has changed its accounting policies relating to goodwill. Under the new policy, the group no longer amortises positive goodwill but tests it at least annually for impairment. Also with effect from 1 April 2005 and in accordance with HKFRS 3, if the fair value of the net assets acquired in a business combination exceeds the consideration paid (i.e. an amount arises which would have been known as negative goodwill under the previous accounting policy), the excess is recognised immediately in the income statement as it arises. Further details of these new policies are set out in note 1(e).

The new policy in respect of the amortisation of positive goodwill had no effect on the financial statements as there was no positive goodwill subject to amortisation as at 31 March 2005.

The new policy in respect of negative goodwill has been adopted prospectively in accordance with the transitional arrangements under HKFRS 3. The adjustments for each consolidated financial statement line affected for the year ended 31 March 2006 are set out in note 2(b).

(e) Changes in presentation (HKAS 1, Presentation of financial statements)

(i) Presentation of shares of associate's and jointly controlled entities' taxation (HKAS 1, Presentation of financial statements)

In prior years, the group's share of taxation of associate and jointly controlled entities accounted for using the equity method was included as part of the group's income tax in the consolidated income statement. With effect from 1 April 2005, in accordance with the implementation guidance in HKAS 1, the group has changed the presentation and includes the share of taxation of associate and jointly controlled entities accounted for using the equity method in the respective shares of profit or loss reported in the consolidated income statement before arriving at the group's profit or loss before tax. These changes in presentation have been applied retrospectively with comparatives restated as shown in note 2(a).

2 CHANGES IN ACCOUNTING POLICIES (Continued)

(e) Changes in presentation (HKAS 1, Presentation of financial statements) (Continued)

(ii) Minority interests (HKAS 1, Presentation of financial statements and HKAS 27, Consolidated and separate financial statements)

In prior years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as a deduction from net assets. Minority interests in the results of the group for the year were also separately presented in the income statement as a deduction before arriving at the profit attributable to shareholders (the equity shareholders of the company).

With effect from 1 April 2005, in order to comply with HKAS 1 and HKAS 27, the group has changed its accounting policy relating to presentation of minority interests. Under the new policy, minority interests are presented as part of equity, separately from interests attributable to the equity shareholders of the company. Further details of the new policy are set out in note 1(c).

No restatement of comparative figures are necessary since there were no minority interests in the prior year.

(f) Financial instruments (HKAS 32, Financial instruments: Disclosure and presentation and HKAS 39, Financial instruments: Recognition and measurement)

With effect from 1 April 2005, in order to comply with HKAS 32 and HKAS 39, the group has changed its accounting policies relating to financial instruments to those as set out in notes 1(f), (k), (l) and (n) to (q). Further details of the changes are as follows:

(i) Investments in equity securities

In prior years, trading securities were stated at fair value with changes in fair value recognised in the income statement.

With effect from 1 April 2005, and in accordance with HKAS 39, all trading securities are classified as financial assets at fair value through the income statement and carried at fair value. Changes in fair value are recognised in the income statement. This new accounting policy has no impact on the financial statements for the year and the comparative information.

2 CHANGES IN ACCOUNTING POLICIES (Continued)

(f) Financial instruments (HKAS 32, Financial instruments: Disclosure and presentation and HKAS 39, Financial instruments: Recognition and measurement) (Continued)

(ii) Convertible notes

In prior years, convertible notes issued were stated at amortised cost (including transaction costs).

With effect from 1 April 2005, and in accordance with HKAS 32 and HKAS 39, convertible notes issued are split into their liability and equity components at initial recognition. The liability component is subsequently carried at amortised cost. The equity component is recognised in the capital reserve until the note is either converted (in which case it is transferred to share premium) or the note is redeemed (in which case it is released directly to retained profits). Further details of the new policies are set out in note 1(n).

The changes in accounting policy were adopted by way of an adjustment to opening balances as at 1 April 2005 and the adjustments for each financial statement line affected for the year ended 31 March 2006 are set out in note 2(b). Comparative amounts have not been restated as this is prohibited by the transitional arrangements in HKAS 39.

(iii) Redeemable convertible preference shares

In prior years, redeemable convertible preference shares were classified as equity based on their legal form. Dividends paid to the preference shares were presented as a distribution to shareholders.

With effect from 1 April 2005, and in accordance with HKAS 32, the classification of redeemable convertible preference shares is based on the substance of the contractual arrangement. Consequently, the shares have been classified as liabilities and dividends on the shares are recognised as an expense in the income statement. Further details of the new policy are set out in note 1(p).

The change in accounting policy has been adopted retrospectively the effects of which are set out in note 2(a).

Also, with effect from 1 April 2005, and in accordance with HKAS 39, redeemable convertible preference shares are split into their liability and equity components at initial recognition which is similar to convertible notes as explained in note 2(f)(ii). This change has been adopted by way of an adjustment to opening balances as at 1 April 2005 and the adjustments for each financial statement line affected for the year ended 31 March 2006 are set out in note 2(b). Comparative amounts have not been restated as this is prohibited by the transitional arrangements in HKAS 39.

2 CHANGES IN ACCOUNTING POLICIES (Continued)

(g) Retranslation of goodwill on consolidation of a foreign operation (HKAS 21, The effects of changes in foreign exchange rates)

In prior years, goodwill arising on the acquisition of a foreign operation was translated at the exchange rates ruling at the transaction dates.

With effect from 1 April 2005, in order to comply with HKAS 21, the group has changed its accounting policy relating to retranslation of goodwill. Under the new policy, any goodwill arising on the acquisition of a foreign operation is treated as an asset of the foreign operation and is retranslated at exchange rates ruling at the balance sheet date, together with the retranslation of the net assets of the foreign operation. Further details of the new policy are set out in note 1(w).

In accordance with the transitional provisions in HKAS 21, this new policy has not been adopted retrospectively and is only applied to acquisitions occurring on or after 1 January 2005. As the goodwill arising on the acquisition of the new foreign operations during the year was fully impaired as at 31 March 2006, the change in policy has had no impact on the financial statements for the year ended 31 March 2006.

(h) Definition of related parties (HKAS 24, Related party disclosures)

As a result of the adoption of HKAS 24, Related party disclosures, the definition of related parties as disclosed in note 1(y) has been expanded to clarify that related parties include entities that are under the significant influence of a related party that is an individual (i.e. key management personnel, significant shareholders and/or their close family members) and post-employment benefit plans which are for the benefit of employees of the group or of any entity that is a related party of the group. The clarification of the definition of related parties has not resulted in any material changes to the previously reported disclosures of related party transactions nor has it had any material effect on the disclosures made in the current period, as compared to those that would have been reported had SSAP 20, "Related party disclosures", still been in effect.

(i) Club debentures (HKAS 38, Intangible assets)

In prior years, club debentures were stated at fair value with changes in fair value recognised in equity.

With effect from 1 April 2005, the group has adopted a new policy for club debentures. Under the new policy, club debentures are stated at carrying amount less accumulated impairment losses and are tested annually for impairment. Further details of the new policy are set out in notes 1(i).

This change in accounting policy has no impact on the financial statements for the years presented.

3 TURNOVER

The principal activities of the group are property development and investment and provision of financial services in Hong Kong and the People's Republic of China other than Hong Kong (the "PRC").

Turnover represents the gross rental income derived from the investment properties situated in Hong Kong and the guarantee service income from provision of financial services in the PRC.

The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2006	2005
	$'000	$'000
Gross rental income	**31,871**	24,735
Guarantee service income	**8,091**	–
	39,962	24,735

4 OTHER REVENUE AND OTHER NET INCOME/(LOSS)

	2006	2005
	$'000	$'000
Other revenue		
Dividend income from listed securities	**86**	–
Write-back of long-outstanding payables	**–**	1,352
Interest income	**2,273**	1,332
Management fee income	**620**	527
Rentals receivable from intangible assets	**143**	200
Loan arrangement fee income from a jointly controlled entity	**879**	–
Others	**445**	494
	4,446	3,905
Other net income/(loss)		
Net gain/(loss) on disposals of fixed assets	**5**	(136)
Net realised and unrealised gains on trading securities	**2,158**	–
	2,163	(136)

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

		2006 $'000	2005 (restated) $'000
(a)	Finance costs:		
	Interest on bank loans and other borrowings wholly repayable within five years	**2,939**	107
	Interest on bank loans repayable beyond five years	**7,160**	2,388
	Interest on convertible notes	**7,451**	–
	Interest on redeemable convertible preference shares	**155**	–
		17,705	2,495
(b)	Staff costs (including directors' remuneration (note 7)):		
	Salaries, wages and other benefits	**22,074**	9,639
	Contributions to defined contribution retirement plan	**1,033**	173
	Equity-settled share-based payment expenses	**2,109**	852
		25,216	10,664
(c)	Other operating expenses:		
	Impairment loss on amount due from jointly controlled entity	**2,888**	2,400
	Impairment of goodwill	**11,411**	–
		14,299	2,400
(d)	Other items:		
	Auditors' remuneration	**1,391**	789
	Depreciation	**1,014**	187
	Impairment loss on trade receivables	**556**	–
	Operating lease charges for property rentals	**3,803**	–
	Net foreign exchange loss	**328**	–
	Share of associate's taxation	**983**	–
	Share of jointly controlled entities' taxation	**1,213**	(1,456)
	Repairs and maintenance expenses of investment properties	**667**	3,888
	Rentals receivable from investment properties less direct outgoings of $6,040,000 (2005: $3,893,000)#	**(25,831)**	(20,842)

\# Direct outgoings include approximately $181,000 (2005: $976,000) incurred in relation to vacant units which did not generate any rental income during the year.

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2006 $'000	2005 (restated) $'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**1,176**	363
Under/(over)-provision in respect of prior years	**257**	(226)
	1,433	137
Current tax – PRC Income Tax		
Provision for the year	**257**	–
	1,690	137
Deferred tax		
Origination and reversal of temporary differences	**7,417**	7,611
	9,107	7,748

The provision for Hong Kong Profits Tax for the year ended 31 March 2006 is calculated at 17.5% (2005: 17.5%) of the estimated assessable profits for the year. Taxation for subsidiaries in the PRC is charged at the appropriate current rates of taxation ruling in the PRC.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2006 $'000	2005 (restated) $'000
Profit before taxation	**12,968**	34,831
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**711**	6,095
Tax effect of non-deductible expenses	**6,397**	1,493
Tax effect of non-taxable income	**(1,063)**	(16)
Tax effect of unused tax losses not recognised	**2,805**	402
Under/(over)-provision in prior years	**257**	(226)
Actual tax expense	**9,107**	7,748

7 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance and the Listing Rules is as follows:

	Directors' fee $'000	Salaries, allowances and benefits in kind $'000	Retirement scheme contributions $'000	Discretionary bonus $'000	Share-based payments $'000	Total $'000
2006						
Executive directors						
Mr Wong Yu Lung, Charles	**–**	**1,710**	**12**	**120**	**265**	**2,107**
Mr Kee Wah Sze	**–**	**900**	**12**	**–**	**265**	**1,177**
Mr Ko Po Ming	**25**	**–**	**–**	**–**	**110**	**135**
Mr Lan Ning	**–**	**861**	**18**	**–**	**265**	**1,144**
Mr Ding Chung Keung, Vincent	**–**	**980**	**10**	**80**	**220**	**1,290**
Ms Loh Jiah Yee, Katherine	**10**	**–**	**–**	**–**	**–**	**10**
Independent non-executive directors						
Mr Ip Yin Wah	**60**	**–**	**–**	**–**	**28**	**88**
Mr Ma Ho Fai JP	**120**	**–**	**–**	**–**	**28**	**148**
Mr Melvin Jitsumi Shiraki	**60**	**–**	**–**	**–**	**28**	**88**
Mr Zhang Xiao Shu	**20**	**–**	**–**	**–**	**–**	**20**
Total	**295**	**4,451**	**52**	**200**	**1,209**	**6,207**

7 DIRECTORS' REMUNERATION (Continued)

	Directors' fee $'000	Salaries, allowances and benefits in kind $'000	Retirement scheme contributions $'000	Discretionary bonus $'000	Share-based payments $'000	Total $'000
2005 (restated)						
Executive directors						
Mr Wong Yu Lung, Charles	–	1,440	12	–	109	1,561
Mr Kee Wah Sze	–	720	12	–	109	841
Mr Ko Po Ming	15	45	2	–	109	171
Mr Lan Ning	–	600	12	–	109	721
Ms Loh Jiah Yee, Katherine	15	1,080	9	–	109	1,213
Independent non-executive directors						
Mr Ip Yin Wah	31	–	–	–	–	31
Mr Ma Ho Fai JP	120	–	–	–	–	120
Mr Melvin Jitsumi Shiraki	31	–	–	–	–	31
Mr Zhang Xiao Shu	210	–	–	–	–	210
Total	422	3,885	47	–	545	4,899

There were no amounts paid during 2006 (2005: $Nil) to the directors in connection with their retirement from employment with the group, or as an inducement to join the group. There was no arrangement under which a director waived or agreed to waive any remuneration in 2006 (2005: $Nil).

The above emoluments include the value of share options granted to certain directors under the company's share option scheme as estimated at the date of grant. Details of these benefits in kind are disclosed under the paragraph "Share option scheme" in the directors' report and note 28.

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2005: three) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the remaining individual (2005: two) is as follows:

	2006 **$'000**	2005 (restated) $'000
Salaries and other emoluments	**845**	1,784
Share-based payments	**–**	133
Retirement scheme contributions	**6**	24
	851	1,941

The emoluments of the remaining individual (2005: two) with the highest emolument is within the following bands:

	Number of individuals **2006**	2005
$Nil – $1,000,000	**1**	1
$1,000,001 – $1,500,000	**–**	1
	1	2

9 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the company included a loss of $46,164,000 (2005 (restated): $6,499,000) which has been dealt with in the financial statements of the company.

The board of the directors of the company does not recommend the payment of a dividend in respect of the year (2005: $Nil).

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the company of $3,861,000 (2005 (restated): $27,083,000), and 1,662,440,000 (2005: 1,662,440,000) ordinary shares in issue during the year.

(b) Diluted earnings per share

The diluted earnings per share for the year ended 31 March 2006 are not presented as there was no dilutive potential ordinary share at the year end.

The calculation of diluted earnings per share for the year ended 31 March 2005 is based on the restated profit attributable to ordinary equity shareholders of the company of $27,083,000 and the weighted average number of ordinary shares of 1,994,695,000, calculated as follows:

Weighed average number of ordinary shares (diluted)

	2005 '000
Weighted average number of ordinary shares at 31 March	1,662,440
Effect of conversion of convertible notes (note 26)	326,473
Effect of conversion of redeemable convertible preference shares (note 30)	5,782
Weighted average number of ordinary shares (diluted) at 31 March	1,994,695

11 SEGMENT REPORTING

Segment information is presented in respect of the group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the group's internal financial reporting.

Business segments

The group comprises the following main business segments:

Property leasing and development: the leasing of shops/premises to generate rental income and gain from the appreciation in the properties values in the long term.

Financial services: the provision of loan guarantee services and other financial services.

	Property leasing and development		**Financial services**		**Consolidated**	
	2006	2005 (restated)	**2006**	2005	**2006**	2005 (restated)
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Revenue from external customers	**31,871**	24,735	**8,091**	–	**39,962**	24,735
Other revenue from external customers	**254**	460	**–**	–	**254**	460
Change in fair value of investment properties	**39,838**	40,464	**–**	–	**39,838**	40,464
	71,963	65,659	**8,091**	–	**80,054**	65,659
Segment result	**64,547**	57,518	**(30,171)**	–	**34,376**	57,518
Unallocated operating income and expenses					**(10,191)**	(15,643)
Profit from operations					**24,185**	41,875
Finance costs					**(17,705)**	(2,495)
Share of profits/(losses) of associate and jointly controlled entities	**704**	(3,198)	**5,784**	(1,351)	**6,488**	(4,549)
Income tax					**(9,107)**	(7,748)
Profit for the year					**3,861**	27,083
Depreciation and amortisation for the year	**(304)**	(187)	**(710)**	–		
Impairment of						
– amounts due from jointly controlled entity	**–**	–	**(2,888)**	(2,400)		
– positive goodwill	**–**	–	**(11,411)**	–		
– trade receivables	**(159)**	–	**(397)**	–		

11 SEGMENT REPORTING (Continued)

Business segments (Continued)

	Property leasing and development		Financial services		Consolidated	
	2006	2005 (restated)	**2006**	2005	**2006**	2005 (restated)
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Segment assets	**468,639**	419,510	**76,350**	–	**544,989**	419,510
Interests in associate and jointly controlled entities	**95,467**	126,549	**35,538**	29,280	**131,005**	155,829
Unallocated assets					**77,043**	53,556
Total assets					**753,037**	628,895
Segment liabilities	**(174,646)**	(187,758)	**(62,913)**	–	**(237,559)**	(187,758)
Unallocated liabilities					**(157,964)**	(120,997)
Total liabilities					**(395,523)**	(308,755)
Capital expenditure incurred during the year	**3,897**	5,311	**1,144**	–		

11 SEGMENT REPORTING (Continued)

Geographical segments

The group operates, through its subsidiaries, associate and jointly controlled entities in two principal economic environments – Hong Kong and the PRC.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of assets.

	Hong Kong		**PRC**	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Revenue from external customers	**31,871**	24,735	**8,091**	–
Segment assets	**486,138**	452,969	**83,984**	–
Capital expenditure incurred during the year	**3,897**	5,311	**1,144**	–

12 FIXED ASSETS

(a) The group

	Plant and equipment	Investment properties	Total
	$'000	$'000	$'000
Cost or valuation:			
At 1 April 2004	561	370,450	371,011
Additions	817	4,494	5,311
Disposals	(410)	(300)	(710)
Fair value adjustment	–	40,464	40,464
At 31 March 2005	968	415,108	416,076
Representing:			
Cost	968	–	968
Valuation – 2005	–	415,108	415,108
	968	415,108	416,076
Accumulated depreciation:			
At 1 April 2004	135	–	135
Charge for the year	187	–	187
Written back on disposals	(133)	–	(133)
At 31 March 2005	189	–	189
Net book value:			
At 31 March 2005	779	415,108	415,887

12 FIXED ASSETS (Continued)

(a) The group (Continued)

	Plant and equipment $'000	Investment properties $'000	Total $'000
Cost or valuation:			
At 1 April 2005	968	415,108	416,076
Exchange adjustments	59	–	59
Additions	1,179	3,862	5,041
Acquisition of subsidiaries	5,338	–	5,338
Disposals	(52)	(108)	(160)
Fair value adjustment	–	39,838	39,838
At 31 March 2006	**7,492**	**458,700**	**466,192**
Representing:			
Cost	7,492	–	7,492
Valuation – 2006	–	458,700	458,700
	7,492	458,700	466,192
Accumulated depreciation:			
At 1 April 2005	189	–	189
Exchange adjustments	7	–	7
Charge for the year	1,014	–	1,014
Acquisition of subsidiaries	697	–	697
Written back on disposals	(7)	–	(7)
At 31 March 2006	**1,900**	**–**	**1,900**
Net book value:			
At 31 March 2006	**5,592**	**458,700**	**464,292**

12 FIXED ASSETS (Continued)

(b) The company

	Plant and equipment	
	2006	2005
	$'000	$'000
Cost:		
At 1 April	**946**	543
Additions	**24**	813
Disposals	**–**	(410)
At 31 March	**970**	946
Accumulated depreciation:		
At 1 April	**178**	131
Charge for the year	**296**	180
Written back on disposals	**–**	(133)
At 31 March	**474**	178
Net book value:		
At 31 March	**496**	768

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

The investment properties are situated in Hong Kong and are held under the following lease terms:

	The group	
	2006	2005
	$'000	$'000
Long leases	**458,700**	415,000
Medium-term leases	**–**	108
	458,700	415,108

12 FIXED ASSETS (Continued)

(d) Investment properties in Hong Kong were valued at $458,700,000 by independent professional qualified valuers, Knight Frank Petty Limited ("Knight Frank") who have among their Members of the Hong Kong Institute of Surveyors and the valuations have been incorporated in the financial statements as at 31 March 2006. Knight Frank has recent experience in the locations and categories of properties being valued. The valuations were performed on an open market value basis by reference to the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction. As a result of the revaluation, a net gain of $39,838,000 (2005: $40,464,000), and deferred tax thereon of $6,972,000 (2005: $7,081,000), have been included in the consolidated income statement.

(e) Certain of the above investment properties with an aggregate carrying value of $454,900,000 (2005: $415,000,000) have been pledged to a bank as security for certain bank loans and facilities granted to the group (note 22).

(f) The group leases out investment properties under operating lease arrangements, with leases negotiated for an average period of one to three years. The terms of the leases normally require the tenants to place rental deposits which generally represent one to three month's period rental payment. Upon expiry the lease may be renewed but all terms are renegotiated. None of the leases includes contingent rentals.

All properties held under operating leases that would otherwise meet the definition of investment property are classified as investment properties.

The group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	The group	
	2006	2005
	$'000	$'000
Within one year	**32,380**	22,496
After one year but within five years	**16,989**	6,262
	49,369	28,758

13 INTEREST IN SUBSIDIARIES

	The company	
	2006	2005
	$'000	$'000
Unlisted shares, at cost	**197,075**	197,075
Amounts due from subsidiaries	**210,152**	201,830
	407,227	398,905
Less: impairment loss	**(46,282)**	(9,075)
	360,945	389,830

The company has an amount due to a subsidiary of $25,918,000 as at 31 March 2006 (2005: $33,430,000), which is unsecured, interest-free and has no fixed terms of repayment.

Additional impairment losses of $37,207,000 were mainly made for the amount due from Perfect Honour Limited and its subsidiaries. Other details of impairment losses are disclosed in note 32.

All of these are controlled subsidiaries as defined under note 1(c) and have been consolidated into the group's consolidated financial statements.

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and operation	Particulars of issued and paid up capital/ registered capital	Proportion of ownership interest: group's effective interest	held by the company	held by a subsidiary	Principal activities
Apex Honour Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	100%	Property investment
Dragon Express Investments Limited	British Virgin Islands/ Hong Kong	US$1	100%	100%	–	Investment holding
Flourish Global Limited	British Virgin Islands/ Hong Kong	US$1	100%	100%	–	Investment holding
Genuine Glory Investments Limited	Hong Kong	$2	100%	100%	–	Property investment
Master Profit Limited	British Virgin Islands/ Hong Kong	US$1	100%	100%	–	Investment holding

(Expressed in Hong Kong dollars)

13 INTEREST IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and operation	Particulars of issued and paid up capital/ registered capital	Proportion of ownership interest: group's effective interest	held by the company	held by a subsidiary	Principal activities
Metro Fair Investments Limited	Hong Kong	$2	100%	–	100%	Property holding
On Speed Management Limited	Hong Kong	$2	100%	100%	–	Property management
Perfect Honour Limited	British Virgin Islands/ Hong Kong	US$1	100%	100%	–	Investment holding
Perfect Manor Limited ("Perfect Manor")	Hong Kong	$2	100%	–	100%	Property investment
Sino Dynasty Investments Limited	British Virgin Islands/ Hong Kong	US$1	100%	100%	–	Investment holding
Rongzhong Group Limited	British Virgin Islands/ Hong Kong	US$100	51%	–	51%	Investment holding
Rongzhong Enterprise Management (Shenzhen) Co. Ltd (融眾企業管理(深圳)有限公司)*	The PRC	$96,660,000	51%	–	100%	Management consulting
Rongzhong Investment Group Ltd. (融眾投資集團有限公司)#	The PRC	RMB120,000,000	51%	–	100%	Investment holding
Guangzhou City Rongzhong Credit Guarantee Co. Ltd. (廣州市融眾信用擔保有限公司)#	The PRC	RMB50,000,000	51%	–	100%	Provision of loan guarantee service
Wuhan City Rongzhong Credit Guarantee Co. Ltd. (武漢市融眾信用擔保有限公司)#	The PRC	RMB22,000,000	51%	–	100%	Provision of loan guarantee service

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

13 INTEREST IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and operation	Particulars of issued and paid up capital/ registered capital	Proportion of ownership interest: group's effective interest	held by the company	held by a subsidiary	Principal activities
Chongqing City Rongzhong Credit Guarantee Co. Ltd. (重慶市融眾信用擔保有限公司)#	The PRC	RMB30,000,000	51%	–	100%	Provision of loan guarantee service
Chengdu City Rongzhong Credit Guarantee Co. Ltd. (成都市融眾信用擔保有限公司)#	The PRC	RMB10,000,000	51%	–	100%	Provision of loan guarantee service
Hunan Rongzhong Credit Guarantee Co. Ltd. (湖南融眾信用擔保有限公司)#	The PRC	RMB10,000,000	51%	–	100%	Provision of loan guarantee service
Jiangsu Rongzhong Credit Guarantee Co. Ltd. (江蘇融眾信用擔保有限公司)#	The PRC	RMB10,000,000	51%	–	100%	Provision of loan guarantee service
Hangzhou Rongzhong Guarantee Co. Ltd. (杭州融眾擔保有限公司)#	The PRC	RMB15,000,000	51%	–	100%	Provision of loan guarantee service
Wuhan Rongzhong Pawn Shop Co. Ltd. (武漢融眾典當有限公司)#	The PRC	RMB10,000,000	51%	–	100%	Secured lending financing

* a wholly foreign-owned enterprise established in the PRC

a limited liability company established in the PRC

Ordinary shares of Perfect Manor with a carrying amount of $2 have been pledged to a bank for certain bank loans (note 22).

14 INTEREST IN ASSOCIATE

	The group		The company	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Share of net assets	**35,538**	29,754	**–**	–
Negative goodwill	**–**	(474)	**–**	–
	35,538	29,280	**–**	–
Loan to associate	**40,260**	–	**40,260**	–
	75,798	29,280	**40,260**	–

The group and company have granted an unsecured revolving facility of up to $40,000,000 to GCHL for a term of three years commencing 6 March 2006. The revolving facility is interest bearing at Prime Rate plus 3% per annum. The revolving facility was fully utilised by GCHL as at 31 March 2006.

Particulars of the associate are as below:

Name of associate	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital/ registered capital	Proportion of ownership interest: group's effective interest	Proportion of ownership interest: held by a subsidiary	Principal activity
Goldbond Capital Holdings Limited ("GCHL") *	Incorporated	Hong Kong	$150,000,000	20%	20%	Investment holdings

* The associate has a financial year ending 31 December.

Summary financial information on associate

The summary financial information of GCHL and its subsidiaries as extracted from its financial statements with a year end date of 31 December, after adjustments made to realign and to be co-terminous with the group's year end date of 31 March, is set out below:

	Assets	**Liabilities**	**Equity**	**Revenues**	**Profit/ (loss)**
	$'000	$'000	$'000	$'000	$'000
2006					
100 per cent	**455,858**	**(277,902)**	**(177,956)**	**103,369**	**28,917**
Group's effective interest	**91,172**	**(55,581)**	**(35,591)**	**20,674**	**5,784**
2005					
100 per cent	229,913	(81,144)	(148,769)	9,084	(6,755)
Group's effective interest	45,983	(16,229)	(29,754)	1,817	(1,351)

15 INTEREST IN JOINTLY CONTROLLED ENTITIES

	The group	
	2006	2005
	$'000	$'000
Share of net assets	**60,799**	54,658
Goodwill	**34,668**	34,668
Amounts due from jointly controlled entities	**11,643**	50,938
	107,110	140,264
Less: Provision for amount due from jointly controlled entity	**–**	(2,400)
	107,110	137,864
Portion classified as current assets	**(11,643)**	(11,315)
	95,467	126,549

The following list contains only the particulars of jointly controlled entities, which principally affected the results or assets of the group:

Name of jointly controlled entity	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital/ registered capital	Proportion of ownership interest: group's effective interest	Proportion of ownership interest: held by a subsidiary	Principal activities
Ace Intelligent Consultants Limited	Incorporated	British Virgin Islands/ Hong Kong	US$100	25%	25%	Provision of consultancy services
Nanjing City Plaza Construction Co. Ltd.* 南京國際商城建設有限公司* ("Nanjing City Plaza")	Equity joint venture	The PRC	US$10,000,000	25%	25%	Investment holdings

* This jointly controlled entity and its subsidiaries have a financial year ending 31 December.

During the year, the group completed its acquisition of Rongzhong Group Limited, previously a jointly controlled entity, by increasing the equity interest from 40% to 51%. Details of the acquisition are set out in note 32.

15 INTEREST IN JOINTLY CONTROLLED ENTITIES (Continued)

(a) Goodwill on acquisition of jointly controlled entity

Goodwill on acquisition of jointly controlled entity is allocated to the group's share of net assets in the Nanjing City Plaza.

The recoverable amount of the cash generating unit ("CGU") is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a period of two years. Cash flows beyond the two years period are extrapolated using the estimated rates stated below. The growth rate does not exceed the respective long-term average growth rate for the businesses in which the CGU operates.

Key assumptions used for value-in-use calculations:

	%
Growth rate	**3.0**
Discount rate	**6.0**

Management determined the budgeted growth rate based on past performance and its expectation for market development. The discount rates used are pre-tax and reflect specific risks relating to the CGU.

The recoverable amount of the CGU is higher than their carrying amount based on value-in-use calculations. Accordingly, no impairment loss on goodwill is recognised in the consolidated income statement.

(b) The summary financial information of the major jointly controlled entity, Nanjing City Plaza and its subsidiaries, as extracted from its financial statements with a year end date of 31 December, after adjustments made to realign and to be co-terminous with the group's year end date of 31 March, is set out below:

	2006 **$'000**	2005 $'000
Assets and liabilities		
Non-current assets	**310,996**	283,525
Current assets	**1,461,429**	1,129,994
Non-current liabilities	**(738,894)**	(459,563)
Current liabilities	**(542,233)**	(485,042)
Minority interests	**(249,030)**	(250,306)
	242,268	218,608
Income	**–**	–
Expenses	**(88)**	(12,820)
Loss for the year	**(88)**	(12,820)

15 INTEREST IN JOINTLY CONTROLLED ENTITIES (Continued)

(b) (Continued)

Included in current liabilities and non-current liabilities are bank loans totalling RMB888,382,000 (2005: RMB540,148,000) which are secured by the following items:

(i) Certain cash and bank balances of Nanjing City Plaza and its subsidiaries amounting to RMB253,258,000 (2005: RMB231,100,000) were pledged to banks as security for bank loans totalling RMB250,000,000 (2005: RMB220,000,000).

(ii) Certain bank loans with an aggregate amount of RMB120,405,000 (2005: RMB139,148,000) were subject to a charge over the shares of Nanjing International Group Limited ("Nanjing International Group") in which Nanjing City Plaza owns a 66.96% equity interest. The bank loans were further secured by the entire equity interest of Nanjing City Plaza owned by the group and its other shareholders and the dividends, profits and other monies derived therefrom (2005: RMB124,148,000).

(iii) Certain parts of properties under development with an aggregate carrying value of RMB1,213,850,000 (2005: RMB959,554,000) were used to secure bank loans and other borrowing with an aggregate amount of RMB517,977,000 (2005: RMB181,000,000).

As at 31 March 2006, Nanjing City Plaza and its subsidiaries had capital commitments for construction of properties under development amounting to RMB478,090,000 (equivalent to approximately $459,702,000) (2005: RMB602,856,000 and equivalent to approximately $568,732,000). The group's share of the capital commitments amounted to RMB119,323,000 (equivalent to approximately $114,926,000) (2005: RMB150,714,000 and equivalent to approximately $142,183,000).

During the year ended 31 March 2004, the group entered into a shareholders' loan agreement with Nanjing City Plaza. Pursuant to the agreement, the group advanced a sum of $10,000,000 to Nanjing City Plaza at an interest rate of 2% per annum above the Prime Rate. The amount is unsecured and repayable on demand. At the balance sheet date, the outstanding loan and interest receivable from Nanjing City Plaza amounted to $10,000,000 (2005: $10,000,000) and approximately $1,643,000 (2005: $764,000) respectively.

16 INTANGIBLE ASSETS

	The group and the company	
	2006	2005
	$'000	$'000
Club debentures	**3,000**	3,000

The useful life of the above club debentures is indefinite as there is no fixed maturity date for such club debentures.

Certain club debentures are leased out under operating leases. The leases typically run for one year at which time all terms are renegotiated. The total future minimum lease payments under non-cancellable operating leases are receivables within one year of $101,000 (2005: $110,000).

17 TRADING SECURITIES

	The group and the company	
	2006	2005
	$'000	$'000
Trading securities (at market value)		
Equity securities listed in Hong Kong	**225**	–

18 PROPERTIES HELD FOR SALE

	The group	
	2006	2005
	$'000	$'000
Properties held for sale, at cost	**7,634**	–

The properties held for sale at 31 March 2006 comprised properties in the Wuhan region, the PRC. It is not the group's intention to hold these properties in the long-term for capital appreciation or rental income.

19 TRADE AND OTHER RECEIVABLES

	The group		The company	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Accounts receivable	**4,613**	290	**–**	–
Loans to customers	**1,021**	–	**–**	–
Prepayments, deposits and other receivables	**23,943**	8,944	**84**	148
	29,577	9,234	**84**	148

Included in the prepayments, deposits and other receivables are amounts totalling RMB18,800,000 (equivalent to approximately $18,077,000) which represent advances to employees. Such advances are secured by the entire equity interest in a company owned by the employees. This company is incorporated and engaged in mining business in the PRC. The advances are interest bearing at 6% per annum and repayable within one year.

All of the trade and other receivables are expected to be recoverable within one year.

Included in trade and other receivables are accounts receivable (net of impairment losses for doubtful debts) with the following ageing analysis as of the balance sheet date:

	The group	
	2006	2005
	$'000	$'000
Current	**3,603**	221
1 to 3 months overdue	**721**	69
More than 3 months overdue	**289**	–
	4,613	290

The group's credit policy is set out note 31(a).

20 SECURITY DEPOSITS

At 31 March 2006, security deposits are placed by the group with banks to secure the group's due performance in relation to the financial services business in the PRC.

21 CASH AND CASH EQUIVALENTS

	The group		The company	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Cash at bank and in hand	**26,292**	7,306	**349**	3,530
Bank deposits	**–**	6,008	**–**	6,008
Cash and cash equivalents in the consolidated cash flow statement	**26,292**	13,314	**349**	9,538

Cash and cash equivalents are denominated in the functional currency of the entity to which they relate.

22 INTEREST-BEARING BANK LOANS

At 31 March 2006, all the bank loans were secured and were repayable as follows:

	The group		The company	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Within 1 year	**62,074**	13,412	**46,500**	–
After 1 year but within 2 years	**13,574**	13,574	**–**	–
After 2 years but within 5 years	**40,722**	40,722	**–**	–
After 5 years	**96,710**	110,284	**–**	–
	151,006	164,580	**–**	–
	213,080	177,992	**46,500**	–

As at 31 March 2006, a subsidiary borrowed bank loans which are secured by the following:

– certain investment properties of the group with an aggregate carrying value of $454,900,000 (2005: $415,000,000) (note 12(e));

– an assignment of the rental income derived therefrom;

– a charge over the shares of Perfect Manor (note 13), together with the subordination of the company's loans to Perfect Manor; and

– a corporate guarantee of $200,000,000 issued by the company (note 36).

22 INTEREST-BEARING BANK LOANS (Continued)

As at 31 March 2006, the group had banking facilities of $116,000,000 (2005: $66,000,000) granted by several banks in Hong Kong, which are secured by the following:

– pledged deposits totalling US$2,597,000 (2005: US$2,563,000), equivalent to approximately $20,261,000 (2005: $20,005,000);

– certain investment properties of the group with an aggregate carrying value of $454,900,000 (2005: $415,000,000) (note 12(e));

– floating charges over interest in subsidiaries and certain assets of Rongzhong Group Limited with an aggregate carrying value of $96,660,000 and $20,162,000 respectively (2005: $Nil).

The banking facility was utilised to the extent of $48,500,000 as at 31 March 2006 (2005: $Nil).

All the bank loans are denominated in Hong Kong dollars.

23 AMOUNT DUE TO A RELATED COMPANY

Amount due to a related company is unsecured, interest bearing at rates ranging from Prime Rate to Prime Rate plus 2% per annum and repayable within one year.

24 AMOUNTS DUE TO MINORITY SHAREHOLDERS

Amounts due to minority shareholders are unsecured, interest bearing at rates ranging from Prime Rate to Prime Rate plus 2% per annum. The amounts classified as a current liability are repayable within one year and the amounts classified as a non-current liability are repayable after one year.

25 OTHER PAYABLES AND ACCRUALS

Other payables and accruals of the group are expected to be settled after more than one year is $5,881,000 (2005: $2,390,000). All of the other payables and accruals of the company are expected to be settled within one year.

26 CONVERTIBLE NOTES

On 5 August 2004, the company issued convertible notes with a nominal value of $70,000,000 to a related company which is under common control. The notes are interest free and mature on 5 August 2007. They may be converted into ordinary shares of the company at a conversion price of $0.17 per ordinary share, subject to adjustment upon the occurrence of certain events. Upon full conversion, the notes shall be converted into 411,764,705 ordinary shares of the company.

On 31 December 2004, the company issued convertible notes with a nominal value of $30,000,000 to a related company which has common directors. The notes are interest free and mature on 5 August 2007. They may be converted into ordinary shares of the company at a conversion price of $0.129 per ordinary share, subject to adjustment upon the occurrence of certain events. Upon full conversion, the notes shall be converted into 232,558,140 ordinary shares of the company.

The convertible notes were split into liability and equity components of $77,703,000 and $22,297,000, respectively upon initial recognition by recognising the liability component at its fair value and attributing to the equity component the residual amount. The liability component is subsequently carried at amortised cost and the equity component is recognised in the capital reserve.

27 INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the consolidated balance sheet represents:

	The group	
	2006	2005
	$'000	$'000
Provision for Hong Kong Profits Tax for the year	**1,176**	363
Provisional Profits Tax paid	**(585)**	(674)
	591	(311)
PRC income tax payable	**257**	–
Amount of tax payable/(recoverable)	**848**	(311)

(b) Deferred tax liabilities recognised:

Deferred tax liabilities recognised in the consolidated balance sheet represent depreciation allowances in excess of related depreciation and revaluation of certain investment properties. Movements in net deferred tax liabilities during the year are as follows:

	The group	
	2006	2005
	$'000	$'000
At 1 April	**9,583**	1,972
Charged to the consolidated income statement	**7,417**	7,611
At 31 March	**17,000**	9,583

An analysis of net deferred tax liabilities is as follows:

	The group	
	2006	2005
	$'000	$'000
Depreciation allowances in excess of the related depreciation	**446**	1
Revaluation surplus of investment properties	**16,554**	9,582
	17,000	9,583

27 INCOME TAX IN THE BALANCE SHEET (Continued)

(c) Deferred tax assets not recognised:

	The group		The company	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Tax losses	**119,149**	111,728	**105,539**	107,211

The group and the company have not recognised deferred tax assets in respect of tax losses as it is not probable that the group and the company will generate sufficient future taxable profits against which the accumulated tax losses may be off-set in the foreseeable future. The tax losses do not expire under the current tax legislation except for an amount of $8,746,000 (2005: $Nil) which will expire in the coming five years.

28 EQUITY SETTLED SHARE-BASED TRANSACTIONS

The company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants, including the company's directors and other eligible participants of the group. The Scheme became effective on 18 September 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. On 29 August 2003, amendments were made to give clarity to the Scheme.

The maximum number of shares which may be issued upon exercise of all outstanding options granted but not yet exercised under the Scheme and any other share option scheme shall not in aggregate exceed 30 percent of the shares in issue of the company from time to time. The total number of shares may be issued upon exercise of all options to be granted under the Scheme and any other share option scheme must not in aggregate exceed 10 percent of shares in issue as at the date of approval of the Scheme.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Scheme to each participant in any 12-month period shall not exceed 1 percent of the issued share capital of the company for the time being.

The offer of a grant of share options may be accepted no later than 21 days from the date of offer with $1 as consideration being payable by the grantee. The exercise period of the share options granted is determinable by the directors, and commences on the date upon which the option is granted and accepted and ends on the expiry date of the option as may be determined by the directors, which shall not be later than ten years after the date of offer.

The subscription price of a share option is determined by the directors, but may not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet for trades in one or more board lots of shares on the date of offer; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer; and (iii) the nominal value of the share.

28 EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

(a) The terms and conditions of the grants that existed during the years are as follows, whereby all options are settled by physical delivery of shares:

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to directors:			
– on 8 November 2004	96,000,000	2.2 years from the date of grant	10 years
– on 29 July 2005	4,800,000	1.4 years from the date of grant	10 years
Options granted to employees:			
– on 8 November 2004	35,000,000	2.2 years from the date of grant	10 years
– on 30 May 2005	16,000,000	1.6 years from the date of grant	10 years
Total share options	151,800,000		

(b) The number and weighted average exercise prices of share options are as follows:

	2006		2005	
	Weighted average exercise price	**Number of options '000**	Weighted average exercise price	Number of options '000
Outstanding at the beginning of the year	**$0.148**	**131,000**	–	–
Lapsed during the year	**$0.148**	**(18,000)**	–	–
Granted during the year	**$0.135**	**20,800**	$0.148	131,000
Outstanding at the end of the year	**$0.146**	**133,800**	$0.148	131,000
Exercisable at the end of the year	**N/A**	**–**	N/A	–

The options outstanding at 31 March 2006 had an exercise price of $0.148, $0.136 or $0.132 (2005: $0.148) and a weighted average remaining contractual life of 8.8 years (2005: 9.7 years).

(Expressed in Hong Kong dollars)

28 EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a binomial lattice model. The contractual life of the option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

	2006	2005
Fair value of share options and assumptions		
Fair value at measurement date	**$0.031**	$0.035
Share price	**$0.132**	$0.148
Exercise price	**$0.135**	$0.148
Expected volatility (expressed as a weighted average volatility used in the modelling under binomial lattice model)	**48%**	48%
Option life (expressed as a weighted average life used in the modelling under binomial lattice model)	**3.5 years**	4.2 years
Expected dividends	**–**	–
Risk-free interest rate (based on Exchange Fund Notes)	**3.65%**	3.41%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

29 CAPITAL AND RESERVES

(a) The group

		Attributable to equity shareholders of the company										
	Note	Share capital $'000	Share premium $'000	Revaluation reserve $'000	General reserve $'000	Capital reserve $'000	Exchange reserve $'000	Special capital reserve $'000	(Accumulated loss)/ retained profits $'000	Sub total $'000	Minority interests $'000	Total equity $'000
At 1 April 2004												
– as previously reported		173,084	97,713	3,000	6,000	5,000	–	64,788	(50,540)	299,045	–	299,045
– prior year adjustments in respect of: HKAS 32: redeemable convertible preference shares issued		(6,840)	–	–	–	–	–	–	–	(6,840)	–	(6,840)
– as restated		166,244	97,713	3,000	6,000	5,000	–	64,788	(50,540)	292,205	–	292,205
Transfer between reserves		–	–	–	–	–	–	(64,788)	64,788	–	–	–
Equity settled share-based transactions (restated)		–	–	–	–	852	–	–	–	852	–	852
Profit for the year (restated)		–	–	–	–	–	–	–	27,083	27,083	–	27,083
At 31 March 2005 (as restated)		166,244	97,713	3,000	6,000	5,852	–	–	41,331	320,140	–	320,140
At 1 April 2005												
– as previously reported		173,084	97,713	3,000	6,000	5,000	–	–	42,183	326,980	–	326,980
– prior year adjustments in respect of:												
– HKAS 32: redeemable convertible preference shares issued	2(a)(i)	(6,840)	–	–	–	–	–	–	–	(6,840)	–	(6,840)
– HKFRS 2: equity settled share-based transactions	2(a)(i)	–	–	–	–	852	–	–	(852)	–	–	–
– as restated, before opening balance adjustments		166,244	97,713	3,000	6,000	5,852	–	–	41,331	320,140	–	320,140
– opening balance adjustments in respect of:												
– HKAS 39: convertible notes	2(f)(ii)	–	–	–	–	22,297	–	–	(3,750)	18,547	–	18,547
– HKAS 39: redeemable convertible preference shares issued	2(f)(iii)	–	–	–	–	–	–	–	5,801	5,801	–	5,801
– HKFRS 3: negative goodwill	2(d)	–	–	–	–	(5,000)	–	–	10,360	5,360	–	5,360
– as restated, after opening balance adjustments		166,244	97,713	3,000	6,000	23,149	–	–	53,742	349,848	–	349,848
Profit for the year		–	–	–	–	–	–	–	3,861	3,861	–	3,861
Equity settled share-based transactions		–	–	–	–	2,109	–	–	–	2,109	–	2,109
Exchange difference on translation of financial statement of entities outside Hong Kong		–	–	–	–	–	1,696	–	–	1,696	–	1,696
At 31 March 2006		**166,244**	**97,713**	**3,000**	**6,000**	**25,258**	**1,696**	**–**	**57,603**	**357,514**	**–**	**357,514**

29 CAPITAL AND RESERVES (Continued)

(b) The company

	Note	Share capital $'000	Share premium $'000	Revaluation reserve $'000	General reserve $'000	Capital reserve $'000	Special capital reserve $'000	(Accumulated loss)/ retained profits $'000	Total equity $'000
At 1 April 2004									
– as previously reported		173,084	97,713	3,000	6,000	–	64,788	(53,654)	290,931
– prior year adjustments in respect of:									
HKAS 32: redeemable convertible preference shares issued		(6,840)	–	–	–	–	–	–	(6,840)
– as restated		166,244	97,713	3,000	6,000	–	64,788	(53,654)	284,091
Transfer between reserves		–	–	–	–	–	(64,788)	64,788	–
Equity settled share-based transactions (restated)		–	–	–	–	852	–	–	852
Loss for the year (restated)		–	–	–	–	–	–	(6,499)	(6,499)
At 31 March 2005 (as restated)		166,244	97,713	3,000	6,000	852	–	4,635	278,444
At 1 April 2005									
– as previously reported		173,084	97,713	3,000	6,000	–	–	5,487	285,284
– prior year adjustments in respect of:									
– HKAS 32: redeemable convertible preference shares issued	2(a)(ii)	(6,840)	–	–	–	–	–	–	(6,840)
– HKFRS 2: equity settled share-based transactions	2(a)(ii)	–	–	–	–	852	–	(852)	–
– as restated, before opening balance adjustments		166,244	97,713	3,000	6,000	852	–	4,635	278,444
– opening balance adjustments in respect of:									
– HKAS 39: convertible notes	2(f)(ii)	–	–	–	–	22,297	–	(3,750)	18,547
– HKAS 39: redeemable convertible preference shares issued	2(f)(iii)	–	–	–	–	–	–	5,801	5,801
– as restated, after opening balance adjustments		166,244	97,713	3,000	6,000	23,149	–	6,686	302,792
Loss for the year		–	–	–	–	–	–	(46,164)	(46,164)
Equity settled share-based transactions		–	–	–	–	2,109	–	–	2,109
At 31 March 2006		**166,244**	**97,713**	**3,000**	**6,000**	**25,258**	**–**	**(39,478)**	**258,737**

29 CAPITAL AND RESERVES (Continued)

(c) Share capital

	2006 Number of shares '000	**2006** Amount $'000	2005 Number of shares '000	2005 Amount $'000
Ordinary shares, authorised:				
Ordinary shares of $0.10 each	**25,000,000**	**2,500,000**	25,000,000	2,500,000
Ordinary shares, issued and fully paid:				
Ordinary shares of $0.10 each	**1,662,440**	**166,244**	1,662,440	166,244

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All ordinary shares rank equally with regard to the company's residual assets.

	2006 Number of shares '000	**2006** Amount $'000	2005 Number of shares '000	2005 Amount $'000
Redeemable convertible preference shares, authorised, issued and fully paid:				
Preference shares of $0.10 each	**68,400**	**6,840**	68,400	6,840

Redeemable preference shares do not carry the right to vote. Based on their terms and conditions, the redeemable preference shares were split into liability and equity components. The liability component has been presented as liabilities in the balance sheet while the equity component has been included in the retained earnings since the conversion rights lapsed in the prior year. Further details of these terms are set out in note 30.

(Expressed in Hong Kong dollars)

29 CAPITAL AND RESERVES (Continued)

(d) Terms of unexpired and unexercised share options at balance sheet date

Exercise period	Exercise price	2006 Number	2005 Number
1 January 2007 – 7 November 2014	$0.148	**113,000,000**	131,000,000
1 January 2007 – 28 July 2015	$0.132	**4,800,000**	–
1 January 2007 – 29 May 2015	$0.136	**16,000,000**	–
		133,800,000	131,000,000

Each option entitles the holder to subscribe for one ordinary share in the company. Further details of these options are set out in note 28 to the financial statements.

(e) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by Sections 48B of the Hong Kong Companies Ordinance.

(ii) Capital reserve

The capital reserve comprises the following:

– the fair value of the actual or estimated number of unexercised share options granted to directors and other eligible participants of the company recognised in accordance with the accounting policy adopted for share-based payments set out in note 1(s)(ii); and

– the value of the unexercised equity component of convertible notes issued by the company recognised in accordance with the accounting policy adopted for convertible notes set out in note 1(n).

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policy set out in note 1(w).

(iv) Special capital reserve

The special capital reserve of $64,788,000 was transferred to the retained profits of the company during the year ended 31 March 2004 upon the fulfilment of conditions set out in the court order issued by the High Court of Hong Kong in June 2003.

29 CAPITAL AND RESERVES (Continued)

(e) Nature and purpose of reserves (Continued)

(v) Retained profits

Included in the retained profits as at 31 March 2006 was a loss of $3,252,000 (2005: $3,456,000) and profit of $4,433,000 (2005 loss: $1,351,000) attributable to the group's jointly controlled entities and associate respectively.

(vi) Distributability of reserves

No reserve is available for distributable to equity shareholders of the company at 31 March 2006 (2005 (restated): $4,635,000).

30 REDEEMABLE CONVERTIBLE PREFERENCE SHARES

At 31 March 2006, 68,400,000 (2005: 68,400,000) preference shares were in issue. The preference shares carry neither right to vote nor right to dividend distributions to the holders. The conversion rights attached to the preference shares lapsed with no conversion during the year ended 31 March 2005.

Pursuant to the terms and conditions of the preference shares, the preference shares may be redeemed by the holders of the preference shares at any time subsequent to 50 years after the date of issue at a redemption value of $10.00 per preference share.

The preference shares were split into liability and equity components of $811,000 and $6,029,000, respectively upon initial recognition by recognising the liability component at its fair value and attributing to the equity component the residual amount. The liability component is carried at amortised cost and the equity component has been included in the retained earnings since the conversion rights lapsed during the year ended 31 March 2005.

31 FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and interest rate risks arises in the normal course of the group's business. These risks are limited by the group's financial management policies and practices described below.

(a) Credit risk

The group's credit risk is primarily attributable to trade and other receivables and loans to associate. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, credit evaluations are performed on all major customers requiring credit over a certain amount.

31 FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

In respect of rental receivables from investment properties, credit evaluations are performed on all tenants and these receivables are due within 30 days from the date of invoicing. For debtors with balances that are more than 45 days overdue, appropriate legal action will be taken by the company if necessary.

In respect of loan guarantee services in the PRC, the group has set up a credit team in each location responsible for the evaluation of customers' credit rating to ensure that all customers have healthy financial backgrounds and adequate repayment abilities. Management has set up the credit limits which are subject to the discretionary power of the general managers of each location. Any further extension of credit beyond these approval limits has to be first approved by senior management and then by the directors of Rongzhong Group Limited. The credit teams are also required to take follow-up action where customers have defaulted on the repayment of loans to banks. The group reviews the receivable amount of all trade and other receivables from time to time to ensure that adequate impairment losses are provided for at the balance sheet date.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The group's loan guarantee service business is to provide guarantees to banks or other parties in favour of customers which exposes the group to credit risk. These contingent liabilities have been disclosed in note 36. The management assess and closely monitor the repayment ability of customers.

Except for the financial guarantees given by the group as disclosed in note 36, the group does not provide any other guarantees which would expose the group to credit risk.

(b) Liquidity risk

The group closely monitors its liquidity and financial resources to ensure that a healthy financial position is maintained such that cash inflows from operating activities together with undrawn committed banking facilities are sufficient to meet the requirements for loan repayments, daily operational needs, capital expenditure as well as potential business expansion and development.

Major operating companies of the group arrange their own financing to meet specific requirements. The group's other subsidiaries are mainly financed by the company's capital base.

The group reviews its strategy from time to time to ensure that cost-efficient funding is available to cater for the unique operating environment of each subsidiary.

31 FINANCIAL INSTRUMENTS (Continued)

(c) Interest rate risk

Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or the maturity dates, if earlier.

The group

	2006						2005					
	Effective interest rate %	Total $'000	One year or less $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000	Effective interest rate %	Total $'000	One year or less $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Repricing dates for assets/(liabilities) which reprice before maturity												
Interest-earning cash and cash equivalents	0.61%	24,705	24,705	–	–	–	0.25%	9,720	9,720	–	–	–
Pledged deposits	0.41%	20,261	20,261	–	–	–	2.09%	20,005	20,005	–	–	–
Security deposits	0.46%	18,848	18,848	–	–	–	–	–	–	–	–	–
Loan to associate	10.84%	40,260	40,260	–	–	–	–	–	–	–	–	–
Interest-bearing bank loans	5.21%	(213,080)	(213,080)	–	–	–	2.04%	(177,992)	(177,992)	–	–	–
Amounts due to minority shareholders	8.34%	(18,934)	(18,934)	–	–	–	–	–	–	–	–	–
Amount due to a related company	9.61%	(26,302)	(26,302)	–	–	–	–	–	–	–	–	–
Amount due from jointly controlled entities	10.00%	11,643	11,643	–	–	–	5.69%	50,387	50,387	–	–	–
		(142,599)	(142,599)	–	–	–		(97,880)	(97,880)	–	–	–
Maturity dates for assets/(liabilities) which do not reprice before maturity												
Other interest-bearing receivable	6.00%	18,077	18,077	–	–	–	–	–	–	–	–	–
Convertible notes	8.75%	(88,904)	–	(88,904)	–	–	8.75%	(100,000)	–	–	(100,000)	–
Redeemable convertible preference shares	13.97%	(1,194)	–	–	–	(1,194)	13.97%	(6,840)	–	–	–	(6,840)
		(72,021)	18,077	(88,904)	–	(1,194)		(106,840)	–	–	(100,000)	(6,840)

31 FINANCIAL INSTRUMENTS (Continued)

(c) Interest rate risk (Continued)

Effective interest rates and repricing analysis (Continued)

The company

	2006						2005					
	Effective interest rate %	Total $'000	One year or less $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000	Effective interest rate %	Total $'000	One year or less $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Repricing dates for assets/(liabilities) which reprice before maturity												
Interest-earning cash and cash equivalents	2.78%	36	36	–	–	–	0.25%	6,032	6,032	–	–	–
Pledged deposits	0.41%	20,261	20,261	–	–	–	2.09%	20,005	20,005	–	–	–
Loan to associate	10.84%	40,260	40,260	–	–	–	–	–	–	–	–	–
Interest-bearing bank loans	5.01%	(46,500)	(46,500)	–	–	–	–	–	–	–	–	–
		14,057	14,057	–	–	–		26,037	26,037	–	–	–
Maturity dates for assets/(liabilities) which do not reprice before maturity												
Convertible notes	8.75%	(88,904)	–	(88,904)	–	–	8.75%	(100,000)	–	–	(100,000)	–
Redeemable convertible preference shares	13.97%	(1,194)	–	–	–	(1,194)	13.97%	(6,840)	–	–	–	(6,840)
		(90,098)	–	(88,904)	–	(1,194)		(106,840)	–	–	(100,000)	(6,840)

(d) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2006 and 2005.

31 FINANCIAL INSTRUMENTS (Continued)

(e) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

(i) Securities

Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

(ii) Interest-bearing loans and borrowings

Fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

32 ACQUISITION OF SUBSIDIARIES

On 27 June 2005, the group entered into an acquisition agreement (the "Acquisition Agreement") with a shareholder of Rongzhong Group Limited, a jointly controlled entity of the group. Pursuant to the Acquisition Agreement, the group acquired an additional 11% equity interest in Rongzhong Group Limited at a consideration of US$11 (equivalent to approximately $86). Immediately after the completion of the Acquisition Agreement, the group's equity interest in Rongzhong Group Limited increased from 40% to 51%. The acquisition was completed on 7 July 2005.

The principal activity of Rongzhong Group Limited is the provision of loan guarantee services in the PRC.

On 31 October 2005, Rongzhong Group Limited completed the acquisition of the entire equity interest in 武漢市融眾信用擔保有限公司 (Wuhan City Rongzhong Credit Guarantee Co., Limited ("Wuhan Rongzhong")), a company incorporated in the PRC, at a consideration of RMB22,041,000 (equivalent to approximately $21,193,000). The principal activity of Wuhan Rongzhong is the provision of loan guarantee services in the PRC.

The acquisitions contributed revenue of $8,091,000 and a net loss of $27,976,000 to the group for the period from the acquisition dates to 31 March 2006. If the acquisitions had occurred on 1 April 2005, the group's revenue would have been $40,650,000, and profit after taxation would have been $3,861,000.

32 ACQUISITION OF SUBSIDIARIES (Continued)

The group considered that at each of the date of acquisitions, the carrying amounts of the acquirees' assets and liabilities were not materially different from their fair values. The assets and liabilities arising from the acquisitions are as follows:

Net assets/(liabilities) acquired:

	Rongzhong Group Limited $'000	Wuhan Rongzhong $'000	Total $'000
Cash and cash equivalents	13,269	13,473	26,742
Plant and equipment	2,747	1,894	4,641
Trade and other receivables	35,741	11,673	47,414
Security deposits	5,107	4,594	9,701
Other payables and accruals	(10,009)	(475)	(10,484)
Amount due to shareholders	(60,101)	(13,422)	(73,523)
Net identifiable (liabilities)/assets	(13,246)	17,737	4,491
Share of net liabilities attributable to the group upon acquisition (11%)	(1,457)		
Net liabilities transferred from minority interests (49%)	(6,491)		
Share of net liabilities attributable to the group on the purchase of the initial 40% equity interest	(6)		
Net (liabilities)/assets acquired	(7,954)	17,737	9,783
Goodwill arising on consolidation	7,954	3,457	11,411
Total purchase price paid, satisfied in cash	–	21,194	21,194
Less: Cash of subsidiaries acquired	(13,269)	(13,473)	(26,742)
Net cash (inflow)/outflow in respect of the purchase of subsidiaries	(13,269)	7,721	(5,548)

The above goodwill is primarily attributable to the potential profitability of the loan guarantee business in the PRC and the expertise of the management team.

32 ACQUISITION OF SUBSIDIARIES (Continued)

The recoverable amount of the CGU, loan guarantee business (Rongzhong Group Limited including Wuhan Rongzhong), is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a period of one year. Cash flows beyond the one-year period are extrapolated using the estimated rates stated below. The growth rates do not exceed the respective long-term average growth rates for the business in which the CGU operates.

Key assumptions used for value-in-use calculations:

	%
Growth rate	**15.0**
Discount rate	**9.0**

Management determined the budgeted growth rate based on past performance and its expectation for market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant segment.

Based on the recoverable amount, the carrying amount of goodwill was considered to be impaired. Accordingly, the carrying amount of goodwill of $11,411,000 has been written off to the consolidated income statement in the current year.

33 COMMITMENTS

(a) Capital commitments outstanding of the group at 31 March 2006 not provided for in the financial statements were as follows:

	2006 **$'000**	2005 $'000
The group		
Contracted, but not provided for	–	15,210
The group's share of capital commitments of a jointly controlled entity		
Contracted, but not provided for		
– Construction of properties under development	**114,926**	142,183
– Acquisition of certain subsidiaries in the PRC	–	13,962
	114,926	156,145

33 COMMITMENTS (Continued)

(b) At 31 March 2006, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	The group		The company	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Within 1 year	**4,673**	41	**816**	41
After 1 year but within 5 years	**7,891**	–	**52**	–
	12,564	41	**868**	41

The group and the company are the lessees in respect of a number of properties held under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease upon expiry when all terms are renegotiated.

None of the leases includes contingent rentals.

The group's share of operating leases commitment of the jointly controlled entities

	2006	2005
	$'000	$'000
Within 1 year	**426**	755
After 1 year but within 5 years	**103**	1,798
Over 5 years	**–**	13
	529	2,566

34 RETIREMENT BENEFIT SCHEME

The group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees in Hong Kong under the jurisdiction of the Hong Kong Employment Ordinance. The assets of the MPF Scheme are held separately from those of the group and administered by an independent trustee. Under the MPF Scheme, the group and its employees are each required to make a contribution to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of $20,000 (the "Cap"). The amounts in excess of the Cap are contributed to the MPF Scheme by both employers and employees as voluntary contributions. Mandatory contributions to the MPF Scheme are vested to the employees.

Employees engaged by the group outside Hong Kong are covered by the appropriate local defined contribution schemes pursuant to the local labour rules and regulations.

35 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the group entered into the following material related party transactions.

(a) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the company's directors as disclosed in note 7 and certain of the group's highest paid employees as disclosed in note 8, is as follows:

	2006	2005
	$'000	$'000
Directors' fees	**295**	422
Salaries and other short-term employee benefits	**5,496**	5,669
Contributions to defined contribution retirement plans	**58**	71
Equity compensation benefits	**1,209**	678
	7,058	6,840

Total remuneration is included in "staff costs" (see note 5(b)).

(b) Transactions with related parties

	Note	**2006**	2005
		$'000	$'000
Issue of convertible notes	26	**–**	100,000
Disposal of fixed assets		**–**	141
Legal and professional fee paid to related companies		**341**	850
Rental expense paid to a related company		**805**	531
Loan arrangement fee from a jointly controlled entity		**879**	–
Interest income from jointly controlled entities	15	**1,419**	1,252
Interest expense paid to a related company	23	**1,508**	101

35 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties (Continued)

	Note	2006 $'000	2005 $'000
Loan to associate	14	**40,000**	–
Interest income from associate	14	**260**	–
Impairment loss on amount due from a jointly controlled entity	15	**2,888**	2,400
Acquisition of subsidiaries from a venturer of a jointly controlled entity			
– purchase price paid	32	**–**	–
– impairment of goodwill	32	**7,954**	–

36 CONTINGENT LIABILITIES

At the balance sheet date, there were contingent liabilities in respect of the following:

(i) The company has given a guarantee of US$3,750,000 (equivalent to approximately $29,250,000) in respect of banking facilities granted to a jointly controlled entity, the group also pledged its attributable equity interests in its jointly controlled entities for such banking facilities as disclosed in note 15(b)(ii).

(ii) The company has given a guarantee to a bank to secure a bank loan as disclosed in note 22.

(iii) During the current year, the company entered into funding, allocation and distribution agreements in respect of a new bank loan of RMB148,977,000 (equivalent to approximately $143,247,000) borrowed by a jointly controlled entity.

Pursuant to such agreements, the company has taken on the funding undertakings and buy-back undertakings, details of which were set out in the company's circular dated 14 June 2005. All these undertakings are in aggregate subject to a maximum of 16.7% of the outstanding amounts and any other associated costs from time to time in respect of such loan, under which the company will, pursuant to the agreements, purchase the residential units in the North Tower of Phase 1 of Nanjing International Center at RMB5,000 per square metre or, if required by the bank, arrange a refinancing facility.

(iv) The group has contingent liabilities of RMB142,397,000 (equivalent to approximately $136,920,000) in relation to the provision of the guarantee services in the PRC.

37 COMPARATIVE FIGURES

Certain comparative figures have been adjusted or reclassified as a result of changes in accounting policies. Further details are disclosed in note 2.

38 ACCOUNTING ESTIMATES AND JUDGEMENTS

Notes 15, 27(c), 28, 31(e) and 32 contain information about the assumptions and their risk factors relating to goodwill impairment, deferred tax assets not recognised, fair value of share options granted and the fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Estimate of fair value of investment properties

The fair value of investment properties have been determined with reference to independent valuations. The best evidence of fair value is the current price in an active market for similar lease and other contracts. The group employed an independent firm of professional surveyors to determine the open market values for the investment properties of the group. These valuations require the use of judgement and estimates, and the use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts which would affect the financial results of the group.

(b) Estimate of fair value of convertible notes and redeemable convertible preference shares

The fair value of the liability component of convertible notes and redeemable convertible preference shares is calculated using the market interest rate for an equivalent non-convertible bond. The residual amounts represent the equity component. The group employed an independent professional valuer to determine the value for the convertible notes and redeemable convertible preference shares. The valuations require the use of judgement and estimates, and the use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts which would affect the financial results of the group.

(c) Impairment losses for bad and doubtful debts

Impairment losses for bad and doubtful debts are assessed and provided based on the management's regular review of ageing analysis and evaluation of collectibility. A considerable level of judgement is exercised by the management when assessing the credit worthiness and past collection history of each individual customer.

Any increase or decrease in the impairment losses would affect the net profit in future years.

(d) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the balance sheet date. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the group and require significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

(Expressed in Hong Kong dollars)

39 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING YEAR ENDED 31 MARCH 2006

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the accounting year ending 31 March 2006 and which have not been adopted in these financial statements.

Of these developments, the following relate to matters that may be relevant to the group's operations and financial statements:

		Effective for accounting periods beginning on or after
HK(IFRIC) 4	Determining whether an arrangement contains a lease	1 January 2006
Amendment to HKAS 1	Presentation of financial statements: capital disclosures	1 January 2007
Amendments to HKAS 39	Financial instruments: recognition and measurement:	
	– The fair value option	1 January 2006
	– Financial guarantee contracts	1 January 2006
Amendment to HKAS 21	The effects of changes in foreign exchange rates	
	– Net investment in a foreign operation	1 January 2006
HKFRS 7	Financial instruments: disclosures	1 January 2007

In addition, the Hong Kong Companies (Amendment) Ordinance 2005 came into effect on 1 December 2005 and would be first applicable to the group's financial statements for the period beginning 1 April 2006.

The group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application but the group is not yet in a position to state whether these amendments will have a significant impact on its results of operations and financial position.