大凌集團有限公司
STYLAND HOLDINGS LIMITED

2005/06 年度報告 annual report

股份代號 stock code:211

Contents

Corporate Information

BOARD OF DIRECTORS	*Executive Directors*	
	Ms. Yeung Han Yi Yvonne	
	Ms. Chan Chi Mei Miranda	
	Mr. Wu Ho Fai David	*(appointed on 13 April 2006)*
	Ms. Zhang Yuyan	*(appointed on 13 April 2006)*
	Mr. Cheung Hoo Win	*(appointed on 1 June 2006)*
	Independent Non-Executive Directors	
	Mr. Lim Man San David	*(Chairman)*
	Mr. Yeung Shun Kee Edward	
	Mr. Chow Pat Kan	
AUDIT COMMITTEE	Mr. Chow Pak Kan	*(Chairman)*
	Mr. Lim Man San David	
	Mr. Yeung Shun Kee Edward	
REMUNERATION COMMITTEE	Mr. Yeung Shun Kee Edward	*(Chairman)*
	Mr. Lim Man San David	
	Mr. Chow Pak Kan	
COMPANY SECRETARY	Mr. Wang Chin Mong Jimmy	
AUDITORS	Li, Lai & Cheung	
LEGAL ADVISERS	*As to Hong Kong Law:*	
	P. C. Woo & Co.	
	Huen & Partners, Solicitors in association with S. G. Fafalen & Co.	
	Jennifer Cheung & Co.	
	As to Bermuda Law:	
	Appleby Spurling Hunter	

PRINCIPAL BANKERS	The Hongkong and Shanghai Banking Corporation Limited Standard Chartered Bank DBS Bank (Hong Kong) Limited Liu Chong Hing Bank Limited Wing Hang Bank Limited Bank of China (Hong Kong) Limited
PRINCIPAL REGISTRAR	The Bank of Bermuda Limited 6 Front Street Hamilton 5-31 Bermuda
HONG KONG BRANCH REGISTRAR	Tengis Limited 26th Floor Tesbury Centre 28 Queen's Road East Wanchai, Hong Kong
REGISTERED OFFICE	Canon's Court 22 Victoria Street Hamilton HM12 Bermuda
PRINCIPAL PLACE OF BUSINESS	13th Floor, Edward Wong Tower 910 Cheung Sha Wan Road, Kowloon Hong Kong Telephone: (852) 2959-3123 Facsimile: (852) 2310-4824
SHAREHOLDERS HOTLINE	(852) 2959 3123
WEBSITE	http://www.styland.com

EXECUTIVE DIRECTORS

Ms. Yeung Han Yi Yvonne, aged 49, has served the Group for 26 years. She has extensive experience in business management. Ms. Yeung is responsible for the Group's administration, personnel and general management.

Ms. Chan Chi Mei Miranda, aged 45, joined the Group in 1979 and was appointed as a Director in 1993. Ms. Chan has over 20 years experience in trading business and has over 8 years experience in securities business. She is responsible for the securities brokerage and financing businesses of the Group.

Mr. Wu Ho Fai David, aged 38, joined the Group in 2005. He graduated from Liverpool Polytechnic Institute of Art. He has over 10 years experience in garment and textile industries. Mr. Wu is responsible for the Group's trading business. He was appointed as a Director in April 2006.

Ms. Zhang Yuyan, aged 44, has been the general manager of a joint venture of the Group in the PRC since 1998. She was appointed as a Director in April 2006. Ms. Zhang graduated from Zhongnan University of Economics and Law(中南財經大學) (formerly known as Hubei Economics College(湖北財經學院)). Ms. Zhang has extensive experience in management and is familiar with mainland's economic, finance and taxation matters.

Mr. Cheung Hoo Win, aged 26, joined the Group in 2004. He was appointed as a Director in June 2006. He graduated from Peking University (Department of International Economy and Trade) and is responsible for China related business of the Group. Mr. Cheung is the son of Ms. Yeung Han Yi Yvonne.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lim Man San David, aged 58, was appointed as an independent non-executive Director of the Company in 1995. Mr. Lim was the Vice-Chairman of Po Leung Kuk in Hong Kong for the period from 1979 to 1981. He has over 28 years experience in trading and securities investment in Hong Kong and Taiwan. Mr. Lim was appointed as Chairman of the Company in 2005.

Mr. Yeung Shun Kee Edward, aged 47, was appointed as an independent non-executive Director of the Company in 2003. Mr. Yeung is a qualified accountant and has extensive experience in accounting, auditing and taxation works.

Mr. Chow Pat Kan, aged 54, was appointed as an independent non-executive Director of the Company in 2004. Mr. Chow holds a bachelor degree in Business Administration from The Chinese University of Hong Kong and has over 29 years experience in the field of education. Prior to joining the Company, he served in various voluntary organizations and committees.

SENIOR MANAGEMENT

Mr. Ng Shun Fu, aged 58, joined the Group in 1996 as a director of Ever-Long Securities Company Limited, a wholly owned subsidiary of the Group engages in securities brokerage business. Prior to joining the Group, Mr. Ng had been working in the banking sector for 25 years and held senior management positions. Mr. Ng has extensive experience in securities business.

Mr. Choy Shuen Yan Andy, aged 45, was appointed as a director of Ever-Long Securities Company Limited in March 1998. Mr. Choy holds a bachelor degree in Commerce from McMaster University of Ontario in Canada. Mr. Choy is a registered dealer and has more than 18 years experience in securities business.

Chairman's Statement

The year 2006 is a challenging year for the Group. The Group has undergone a number of changes to preserve its competitive edge in its core businesses, such as closing down its sample production room for trading business in the PRC and taking steps to restructure its garment trading workforce. This will consolidate the businesses and streamline the operating flow so as to reduce the operating costs.

In addition, the board members of the Company have been changed. The Group envisages that professionalism, academic qualifications, experience and market insights are the key success factors of modern enterprises. In particular, as an independent non-executive Director, I resolve to provide impartial and fair leadership in the Board. Apart from the provision of management and direction, the Board will pay particular attention to corporate governance and internal controls so as to preserve the long-term healthy growth of the Group.

The Group will constantly review its financial resources and will consider various plans to enhance its financing capabilities. The Group believes that to broaden its shareholders base would provide a solid ground for the Group to grow. Trading in the shares of the Company has been suspended since 21 April 2004. The Board has been taking steps to discuss with the Stock Exchange for the feasible plan for resumption of trading and the Board is pleased to say that it has light to resolve the problems in due course.

Looking forward, we shall continue to seek for opportunities to improve our competitiveness and to secure business with stable and recurring revenue and to preserve our financial resources so as to improve the financial position of the Group.

On behalf of the Board, I take this opportunity to welcome Mr. Wu Ho Fai David, Ms. Zhang Yuyan and Mr. Cheung Hoo Win on joining the Board and to thank Mr. Ching Suet Ming and Mr. Tam Wing Fai Johnny for their valuable contributions to the Group during their tenure of service and I would like to express my sincere gratitude to all our customers, shareholders for their trust and support to the Group.

Lim Man San David
Chairman

Hong Kong, 21 July 2006

BUSINESS REVIEW

Securities dealing and broking, and financing

The turnover from securities dealing and broking and financing amounted to HK$12.8 million (2005: HK$20.1 million). As a small to medium size broker firm, the Group was under tremendous pressure and competition from other major securities broker firms and banks in Hong Kong. In addition, the Group had adopted a prudent approach in conducting its margin financing business and had strengthened its customer credit control.

The internet securities trading system of the Group was officially launched last year. With our efforts on continual upgrading and fine-tuning of the system, the system is now available to all customers of the Group. This would enhance our competitive edge and in particular, is well received by our customers in mainland China. To further capture the opportunity, the Group will consider increasing the capital base of the securities business and will continue to launch more customer-oriented value-added service to its customers in future with a view to gaining customer confidence in the Group.

General import and export trading

After the abolishment of the quota restrictions in 2005, garment importers now have more supplier choices and consequently, they will select suppliers based on the criteria of cost, quality and production lead-time. To face this new challenge, the Group had taken strategic moves during the year, such as the decision to close down the sample production room in the PRC and the restructuring of the trading team. Although such actions would result in a short-term decrease of turnover of the trading business, the management believe that it will bring long-term benefits to the Group.

The Group is committed to multi-product and multi-market strategies. With the leadership of the new management, the Group has gained access to new potential customers and new product categories. The Group is now exploring certain new markets such as the United States and Japan. Regarding products, apart from the sweater, the Group will also expand the range of products to woven shirts and denim products.

In view of keen competition, the Group may look for co-operation arrangement with other apparel product companies as strategic business partners with a view accelerating its business expansion plan, increasing its customer base and widening its range of products.

PROSPECT

With the improvements in the global economy, particularly the recovery of Hong Kong economy and the settlement of trade disputes between China and the European Union as well as the United States at the end of 2005, all the essential elements which are beneficial to the Group's businesses have come together. The Board has undergone a review of its existing operations and formulated new strategies. The Board believes that a solid business model capable of generating stable income and good profitability is taking shape within the Group. The business model is built on the Group's positioning as a trust-worthy securities broker firm as well as a seasoned general import and export trading company.

For business to grow, capital investments and operating expenses are required to ensure the quality of services, to attract customers and to build up customers' loyalty, which are the costs to pay in any new business. However, in light of the keen competition in the industries in which the core businesses of the Group operate, the Group has implemented a tighter cost control in operating expenses as well as capital investments for this year. In addition, the Group has redefined its business strategies so that it will concentrate on profit-oriented businesses, while loss-making businesses will be faded out. As such, the Group has directed its resources to trading and securities businesses and has retracted its development pace in other non-core businesses.

The Group considers that strategic alliance with companies which would result in synergy is a good way to accelerate its pace towards expanding its market share. As such, the Group will consider to co-operate with its business partners for joint marketing and promotion efforts. This is essential given that the Group has maintained a small but efficient marketing team. The Directors believe that this alliance strategy of the Group will ultimately create value to its shareholders.

FINANCIAL REVIEW

During the year ended 31 March 2006, the Group recorded a turnover of approximately HK$71.6 million, which represented a drop of 25.8% compared to the previous year as a result of changes of management and workforce of its trading business. The loss attributable to shareholders amounted to approximately HK$14.0 million was due to the provision for accounts and loans receivable and suffering from interest expenses for a bank loan in relation to the investment in a toll road in Wuhan, China (the "Toll Road") from which no revenue was received by the Group as a result of relocation of the toll station by contractual joint venture (the "CJV") parter (the "CJV Partner") unilaterally.

At 31 March 2006, the Group had cash at bank and in hand totaled approximately HK$12.5 million (2005: HK$22.4 million) and net assets value of approximately HK$134.6 million (2005: HK$149.7 million).

Bank borrowings at 31 March 2006 amounted to HK$113.4 million (2005: HK$109.8 million), of which HK$95.8 million (2005: HK$48.8 million) were repayable within one year. The gearing ratio, being the ratio of bank borrowings and hire purchase payables of approximately HK$113.8 million to shareholders' fund of approximately HK$134.6 million, was about 0.85 (2005: 0.74).

At 31 March 2006, time deposits of HK$9.0 million, a property held for redevelopment of HK$47.0 million, an investment property of HK$14.6 million and the Group's investment in a joint venture amounted to approximately HK$151.8 million were pledged to secure the banking facilities granted to the Group.

INVESTMENTS

During the year ended 31 March 2006, the Group had no material new investment. At 31 March 2006, the Group held a portfolio of listed securities with the market value of approximately HK$5.6 million.

As disclosed in the Company's announcement dated 27 February 2004, the CJV Partner in the Toll Road had unilaterally decided to relocate the toll station of the Toll Road, which results in significant drop in traffic flows of the Toll Road. Over the past two years, the Group liaised with the CJV Partner for compensation for the losses. As both parties didn't come to an agreed consideration for the compensation, the Group applied for arbitration through the Wuhan Arbitration Commission (the "WAC") in China in October 2004. In April 2006, the WAC arbitrated that the Group could transfer its investment in the CJV to the CJV Partner at the consideration of RMB157,298,300. Both parties are now under the discussion of the execution of the arbitration. Further announcement will be made in due course as required.

CREDIT POLICIES

Trading terms with general trading customers are largely on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 30 to 60 days of issuance, except for certain well-established customers, where the terms are extended to 90 days.

For the securities dealing & broking and financing businesses, financial assistance will be granted based on assessment to financial status, repayment records and the liquidity of collaterals placed by a customer and the interest rate will be determined thereon. Financial assistance will be repayable on demand once a customer fails to repay any deposit, margin or other sum payable to the Group.

FOREIGN EXCHANGE EXPOSURE

During the year under review, the Group's business activities and its assets and liabilities were mainly denominated in Hong Kong dollars and Renminbi. The Group does not hedge exchange rate fluctuation between Renminbi and Hong Kong dollars as the borrowing in Renminbi is matched by assets denominated in Renminbi and the risk is considered minimal. It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group.

CONTINGENT LIABILITIES

As at 31 March 2006, the Company had contingent liabilities in respect of corporate guarantees given to banks in connection with the banking facilities granted to certain subsidiaries, of which HK$19.5 million (2005: HK$18.1 million) had been utilized.

LITIGATIONS

Details of the litigations are set out in note 39 to the financial statements

STAFF

As at 31 March 2006, the Group employed 57 employees (2005: 77). The drop was due to lay off of staff as a result of streamlining the Group's operations. Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are reviewed annually based on performance appraisal and other relevant factors. Staff benefits plans maintained by the Group include medical insurance, hospitalization scheme, mandatory provident fund and share option scheme.

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2006.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of the Group consist of investment holdings, securities dealing and broking, financing, general import and export trading and property redevelopment and investment. There were no significant changes in the nature of the Group's activities during the year.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2006 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 21 to 76.

The Directors do not recommend the payment of final dividend.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

Details of movements in the property, plant and equipment and investment property of the Group are set out in notes 17 and 18 to the financial statements, respectively. Further details of the Group's investment property are set out on page 78.

PROPERTY HELD FOR REDEVELOPMENT

Details of the property held for redevelopment of the Group are set out in note 19 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital are set out in note 32 to the financial statements.

PRE-EMPTIVE RIGHTS

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

RESERVES

Details of movements in the reserves of the Company during the year are set out in note 34 to the financial statements. Details of movements in the reserves of the Group during the year are set out on page 25.

DISTRIBUTABLE RESERVES

At 31 March 2006, the Company's reserves available for distribution were HK$77,946,000. Under the laws of Bermuda, the Company's share premium account, in the amount of HK$35,831,000, may be distributed in the form of fully paid bonus shares.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 77. This summary does not form part of the audited financial statements.

DIRECTORS

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

Executive Directors

Ms. Yeung Han Yi Yvonne	
Ms. Chan Chi Mei Miranda	
Mr. Wu Ho Fai David	(appointed on 13 April 2006)
Ms. Zhang Yuyan	(appointed on 13 April 2006)
Mr. Cheung Hoo Win	(appointed on 1 June 2006)
Mr. Tam Wing Fai Johnny (Managing Director)	(resigned on 1 June 2006)
Mr. Ching Suet Ming	(resigned on 1 April 2006)

Independent Non-Executive Directors

Mr. Lim Man San David *(Chairman)*
Mr. Yeung Shun Kee Edward
Mr. Chow Pat Kan

In accordance with the Company's Bye-laws 99, Mr. Yeung Shun Kee Edward and Ms. Chan Chi Mei Miranda shall retire and be eligible for re-election at the forthcoming annual general meeting.

In accordance with the Company's Bye-laws 102(B), Mr. Wu Ho Fai David, Ms. Zhang Yuyan and Mr. Cheung Hoo Win shall retire and be eligible for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN SECURITIES

As at 31 March 2006, the interests and short positions of the directors of the Company (the "Directors") in the shares, debentures or underlying shares of the Company or any of its associated corporations (within the meaning of the Part XV of the Securities and Futures Ordinance (the "SFO")) or which were required, pursuant to Section 352 of the SFO to be entered in the register referred to therein or which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

(a) Interest in ordinary shares of HK$0.01 each in the Company:

	Number and nature of interest			
Name of Directors	**Family interests**	**Personal interests**	**Total**	**Shareholding percentage**
Ms. Yeung Han Yi Yvonne ("Ms. Yeung")	369,995,967 *(Note)*	30,000,000	399,995,967	21.38%
Ms. Chan Chi Mei Miranda	–	39,288	39,288	0.00%

Note:

Mr. Cheung Chi Shing Kenneth ("Mr. Cheung") personally held 299,995,967 shares of the Company. As Mr. Cheung is the sole shareholder of K.Y. Limited ("KY"), he was deemed to have interests in 60,000,000 shares of the Company held by KY and Mr. Cheung is further deemed to be interested in 10,000,000 shares of the Company held by K.C. (Investment) Limited, a wholly owned subsidiary of KY.

Ms. Yeung is the spouse of Mr. Cheung and accordingly deemed to be interested in the 369,995,967 shares of the Company that Mr. Cheung is beneficially interested.

(b) Rights to acquire ordinary shares of HK$0.01 each in the Company:

Name of Director	Capacity	Number of share options	Exercise period of share options	Exercise price of share options *HK$*	Approximately shareholding percentage
Tam Wing Fai Johnny	Beneficial owner	17,000,000	13 Nov 2003-12 Nov 2006	0.0228	0.91%

Note:

The above share options were granted under the share option scheme of the Company. None of the share options has been exercised during the year. Mr. Tam resigned on 1 June 2006 and his options have lapsed accordingly.

All the interests stated above represented long positions. At 31 March 2006, no short positions were recorded in the Register of Directors' and Chief Executive's Interests and Short Positions required to be kept under Section 352 of the SFO.

Save as disclosed above, at 31 March 2006, none of the directors of the Company had any interest or short position whether beneficial or non-beneficial, in the shares or underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors had a material interest, either direct or indirect, in any contract of significance to the businesses of the Group to which the Company or any of its subsidiaries was a party during the year.

SUBSTANTIAL SHAREHOLDERS

The Register of Substantial Shareholders maintained under Section 336 of the SFO shows that, at 31 March 2006, the Company had been notified of the following interests in the Company:

	Number of shares	**Percentage**
Mr. Cheung *(Note1)*	399,995,967	21.38%
Ms. Yeung *(Note 2)*	399,995,967	21.38%
Mr. Lin Wen (林文先生) ("Mr. Lin") *(Note 3)*	165,050,000	8.82%
Mr. Sun Jin Lin (孫進林先生) ("Mr. Sun") *(Note 3)*	150,800,000	8.06%
Mr. Rajkumar M Daswani *(Note 4)*	112,411,667	6.01%

Notes:

1. Please refer to the note under the heading "Directors' Interest in Securities" for details of Mr. Cheung's beneficial interests in the shares of the Company. Mr. Cheung is the spouse of Ms. Yeung and accordingly deemed to be interested in the 30,000,000 shares of the Company beneficially interested by Ms. Yeung.

2. Ms. Yeung is the spouse of Mr. Cheung and accordingly deemed to be interested in the 369,995,967 shares beneficially interested by Mr. Cheung.

3. The interests of Mr. Lin and Mr. Sun are set out based on their notifications given to the Company on 20 August 2002 pursuant to the SFO. The Company wrote to Mr. Lin and Mr. Sun to inquire their then shareholdings in the Company on 14 June 2004. On 13 December 2004, the Company received a letter from Mr. Lin, claiming that he held approximately 5 million shares of the Company, which was substantially different from the record of Mr. Lin's interests available from the web site of the Stock Exchange and the Company. The Company tried to seek valid notification under the SFO from Mr. Lin and Mr. Sun. However, up to the date of this annual report, the Company had not received any further response from Mr. Lin or Mr. Sun.

4. The interests of Mr. Rajkumar M Daswani are set out based on his notification given to the Company on 1 April 2004 pursuant to the SFO. On 7 December 2004, the Company wrote to Mr. Rajkumar M Daswani for his shareholding in the Company and received a letter dated 13 December 2004 from Mr. Rajkumar M Daswani that he and Shalini R Daswani in joint account held 114,731,667 shares of the Company as at 30 September 2004. The Company didn't receive valid notification pursuant to the SFO from Shalini R Daswani.

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

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

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's single largest and five largest customers combined accounted for 17% and 45%, respectively, of the Group's total sales, whereas purchases from the Group's single largest and five largest suppliers combined accounted for 15% and 57%, respectively, of the Group's total purchases.

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors as at the latest practicable date prior to the issue of this report, the public float of the share of the Company is sufficient.

AUDITORS

Li, Lai & Cheung will retire at the forthcoming annual general meeting. A resolution will be proposed at the forthcoming annual general meeting to re-appoint Li, Lai & Cheung as auditors and to authorise the Board to fix their remuneration.

On behalf of the Board
Wu Ho Fai David
Director

Hong Kong, 21 July 2006

The Board of the Company is committed to maintain high standards of corporate governance and it considers that effective corporate governance is an essential factor to the corporate success. Subject to the deviations as disclosed in this report, the Group has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year ended 31 March 2006.

The Company does not have any officer with the title of "chief executive officer" ("CEO"); however, the duties of CEO are performed by Managing Director. Following the resignation of the Managing Director in June 2006, the day-to-day business operations of the Group are carried out by other executive Directors. As there exists a clear division of each Director's duties in the Group, the resignation of the Managing Director did not have any material impact on operations of the Group. The Chairman of the Company is responsible for the overall corporate development and strategic direction of the Group and provides leadership for the Board and oversees the efficient functioning of the Board.

BOARD OF DIRECTORS

At the date of this report, the Board comprises five executive directors and three independent non-executive directors ("INEDs"). The Company believes that the Board has a balance of skills and experience appropriate for the requirements of the business of the Group. As the number of the INEDs represents more than one-third of the Board, so that there is a strong independent element on the Board, which can effectively exercise independent judgment. Each of the INEDs has made an annual confirmation of his independency.

Directors' securities transactions

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code for securities transactions by Directors. All members of the Board has confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code during the year.

Nomination of directors

The Board as whole is responsible for the selection and approval of candidates for appointment to the Board. The selection criteria are mainly based on the professional and experience of candidates. A newly appointed director must retire and be re-elected at the first general meeting after his/her appointment. There are no fixed terms of services for executive Directors while INEDs are engaged for a term of two years, subject to retirement by rotation and re-election at general meeting in accordance with the provisions of the Bye-laws of the Company.

Board meetings

During the year ended 31 March 2006, four regular board meetings and two board meetings to approve annual results and interim results were held to which 14 days' notice was given to all Directors. The individual attendance of Directors is set out as follows:

		Number of board meetings attended
Executive Directors:		
Mr. Tam Wing Fai Johnny *(Managing Director)*	(resigned on 1 June 2006)	6
Ms. Yeung Han Yi Yvonne		6
Ms. Chan Chi Mei Miranda		6
Mr. Ching Suet Ming	(resigned on 1 April 2006)	6
Mr. Wu Ho Fai David	(appointed on 13 April 2006)	N/A
Ms. Zhang Yuyan	(appointed on 13 April 2006)	N/A
Mr. Cheung Hoo Win	(appointed on 1 June 2006)	N/A
Independent Non-Executive Directors:		
Mr. Lim Man San David *(Chairman)*		3
Mr. Yeung Shun Kee Edward		4
Mr. Chow Pak Kan		5

Remuneration of directors

A remuneration committee was set up during the year with specific written terms of reference which deals clearly with its authority and duties. The members of the remuneration committee are Mr. Yeung Shun Kee Edward (Chairman), Mr. Lim Man San David and Mr. Chow Pat Kan. All committee members are INEDs.

The remuneration committee's principal duties are to make recommendations to the Board on the remuneration policy and structure for directors and senior management and to ensure that they are fairly rewarded for their individual duties and responsibilities in the Group as well as reference to market rates. It is also the remuneration committee's duty to determine the specific remuneration packages of all executive directors and senior management.

During the year ended 31 March 2006, a remuneration committee meeting was held to review whether the remunerations to retiring directors were in line with their service agreements. All members attended the meeting.

AUDITORS' REMUNERATION

During the year, the remuneration in respect of statutory audit services and the taxation services provided by the auditors of the Company were HK$535,000 and HK$42,000 respectively.

AUDIT COMMITTEE

The Company has an audit committee comprising three INEDs of the Company, namely, Mr. Chow Pat Kan (Chairman), Mr. Lim Man San David and Mr. Yeung Shun Kee Edward. The principal duties of the audit committee are to review the Group's interim and annual reports, internal controls and make recommendations to the Board.

During the year, four audit committee meetings were held and all members attended all meetings. During the meetings, the audit committee had performed the following works:

(i) reviewed the draft interim and annual financial statements and the related draft results announcements;

(ii) reviewed the change in accounting standards and assessment of potential impacts on the Group's financial statements;

(iii) discussed with external auditors for any major audit issues of the Group; and

(iv) discussed matters in relation to internal controls of the Group.

On behalf of the Board
Wu Ho Fai David
Director

Hong Kong, 21 July 2006

張黎李會計師事務所

LI, LAI & CHEUNG

TO THE SHAREHOLDERS OF
STYLAND HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the financial statements of Styland Holdings Limited (the "Company") and its subsidiaries (the "Group") on pages 21 to 76 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

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

OPINION

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

Li, Lai & Cheung
Certified Public Accountants

Hong Kong, 21 July 2006

Consolidated Income Statement

For the year ended 31 March 2006

	Notes	2006 HK$'000	2005 HK$'000
Turnover	7&8	**71,604**	96,546
Cost of sales		**(54,096)**	(71,702)
Gross profit		**17,508**	24,844
Other revenue and gains	8	**5,271**	4,742
Reversal of provisions for doubtful debts		**4,203**	12,884
Selling and distribution expenses		**(1,360)**	(893)
Administrative expenses		**(25,370)**	(28,333)
Net realised holding gains on listed investments		**–**	5,913
Net realised holding loss on investments held-for-trading		**(539)**	–
Reversal of impairment of property held for redevelopment		**–**	2,000
Revaluation increase on investment property		**–**	1,000
Fair value changes on investment property		**600**	–
Reversal of impairment of investment in a joint venture		**–**	22,837
Reversal of impairment of investment in a joint venture held-for-sale		**20,404**	–
Impairment of long term investments		**–**	(423)
Impairment of available-for-sale investments		**(2,382)**	–
Provisions against accounts and loans receivable		**(11,685)**	(4,109)
Amortisation of investment in a joint venture		**–**	(22,837)
Other expenses		**(7,592)**	(10,329)
Finance costs	9	**(6,941)**	(6,795)
(Loss)/profit before taxation	10	**(7,883)**	501
Taxation	13	**–**	(573)
Loss for the year		**(7,883)**	(72)
Attributable to:			
Equity holders of the Company		**(13,990)**	3,256
Minority interests		**6,107**	(3,328)
		(7,883)	(72)
Dividends	15	**–**	2,144
(Loss)/earnings per share	16		
– Basic		**(HK0.75cent)**	HK0.17cent
– Diluted		**N/A**	HK0.17cent

Consolidated Balance Sheet

At 31 March 2006

	Notes	2006 HK$'000	2005 HK$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	*17*	**2,451**	3,543
Investment property	*18*	**14,600**	14,000
Property held for redevelopment	*19*	**47,000**	47,000
Goodwill	*20*	**–**	1,511
Negative goodwill	*21*	**–**	(541)
Interests in a joint venture	*23*	**–**	143,374
Dividend receivable	*23*	**19,153**	–
Long term investments	*24*	**–**	2,456
Available-for-sale investments	*24*	**3,098**	–
		86,302	211,343
CURRENT ASSETS			
Inventories	25	**192**	1,089
Loans receivable	26	**41,296**	45,249
Accounts receivable	27	**8,591**	8,638
Other receivables, deposits and prepayments		**21,137**	19,668
Tax recoverable		**585**	110
Short term investments	28	**–**	11,065
Investment in a joint venture held-for-sale	23	**151,834**	–
Investments held-for-trading	28	**2,454**	–
Client trust bank accounts		**8,306**	7,025
Pledged deposits		**9,000**	9,000
Cash and bank balances		**3,517**	13,412
		246,912	115,256

	Notes	2006 HK$'000	2005 HK$'000 (Restated)
CURRENT LIABILITIES			
Accounts payable, other payables and accruals	*29*	**36,720**	23,953
Obligations under hire purchase contracts	*30*	**402**	843
Tax payable		**4,839**	4,839
Bank borrowings	*31*	**95,775**	48,800
		137,736	78,435
NET CURRENT ASSETS		**109,176**	36,821
TOTAL ASSETS LESS CURRENT LIABILITIES		**195,478**	248,164
NON-CURRENT LIABILITIES			
Obligations under hire purchase contracts	*30*	**–**	402
Bank borrowings	*31*	**17,624**	60,951
		17,624	61,353
		177,854	186,811
CAPITAL AND RESERVES			
Share capital	*32*	**18,712**	18,712
Share premium and reserves		**115,876**	130,940
Equity attributable to equity holders of the Company		**134,588**	149,652
Minority interests		**43,266**	37,159
		177,854	186,811

Approved and authorised for issue by the Board of Directors on 21 July 2006.

Wu Ho Fai David	**Chan Chi Mei Miranda**
Director	*Director*

Balance Sheet

At 31 March 2006

	Notes	2006 HK$'000	2005 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	*22*	**138,813**	142,907
CURRENT ASSETS			
Other receivables, deposits and prepayments		**271**	182
Bank balances		**10**	10
		281	192
CURRENT LIABILITIES			
Other payables and accruals		**565**	484
NET CURRENT LIABILITIES		**(284)**	(292)
		138,529	142,615
CAPITAL AND RESERVES			
Share Capital	*32*	**18,712**	18,712
Share premium and reserves	*34*	**119,817**	123,903
		138,529	142,615

Approved and authorised for issue by the Board of Directors on 21 July 2006.

Wu Ho Fai David
Director

Chan Chi Mei Miranda
Director

	Attributable to equity holders of the Company									
	Share capital	Share premium	Capital redemption reserve	Special capital reserve	Contributed surplus	Investment revaluation reserve	Accumulated losses	Total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2004	18,712	35,831	6,040	571,147	601,577	–	(1,084,767)	148,540	40,487	189,027
Interim dividend paid	–	–	–	–	(2,144)	–	–	(2,144)	–	(2,144)
Loss for the year	–	–	–	–	–	–	3,256	3,256	(3,328)	(72)
At 31 March 2005										
– As original stated	18,712	35,831	6,040	571,147	599,433	–	(1,081,511)	149,652	37,159	186,811
– Effect of the change in accounting policy under HKFRS 3	–	–	–	–	–	–	541	541	–	541
At 1 April 2005										
– As restated	18,712	35,831	6,040	571,147	599,433	–	(1,080,970)	150,193	37,159	187,352
Loss on fair value changes of available-for-sale investments	–	–	–	–	–	(1,615)	–	(1,615)	–	(1,615)
Loss for the year	–	–	–	–	–	–	(13,990)	(13,990)	6,107	(7,883)
At 31 March 2006	18,712	35,831	6,040	571,147	599,433	(1,615)	(1,094,960)	134,588	43,266	177,854

Consolidated Cash Flow Statement

For the year ended 31 March 2006

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Operating activities		
(Loss)/profit before taxation	**(7,883)**	501
Adjustments for:		
Interest income	**(344)**	(49)
Dividend income	**–**	(15)
Negative goodwill recognised as income	**–**	(2,164)
Depreciation	**741**	1,338
Finance costs	**6,941**	6,795
Amortisation of goodwill	**–**	584
Impairment of goodwill	**3,124**	–
Loss on disposal of property, plant and equipment	**475**	1,163
Unrealised holding losses on listed investments	**–**	8,582
Fair value changes on investments held-for-trading	**3,993**	–
Net realised holding gains on listed investments	**–**	(5,913)
Net realised holding loss on investments held-for-trading	**539**	–
Revaluation increase in investment property	**–**	(1,000)
Fair value changes on investment property	**(600)**	–
Amortisation of investment in a joint venture	**–**	22,837
Impairment of long term investments	**–**	423
Impairment of available-for-sale investment	**2,819**	–
Provisions against accounts and loans receivable	**4,679**	4,109
Reversal of impairment of investment in a joint venture	**(20,404)**	(22,837)
Reversal of impairment of property held for redevelopment	**–**	(2,000)
Reversal of provisions for doubtful debts	**(4,203)**	(12,884)
Operating cash flows before movements in working capital	**(10,123)**	(530)
Decrease in inventories	**897**	509
Decrease in accounts and loans receivable	**3,534**	24,463
(Increase)/decrease in other receivables, deposits and prepayments	**(701)**	4,869
Decrease in short term investments	**–**	3,998
(Increase)/decrease in client trust bank accounts	**(1,281)**	5,303
Increase/(decrease) in accounts payable, other payables and accruals	**5,664**	(4,098)
Cash (used in)/generated from operations	**(2,010)**	34,514
Hong Kong profits tax paid	**(475)**	(198)
Net cash (used in)/generated from operating activities	**(2,485)**	34,316

	Note	2006 HK$'000	2005 HK$'000 (Restated)
Investing activities			
Dividend received		**–**	15
Dividend paid		**–**	(468)
Interest received		**344**	49
Purchases of property, plant and equipment		**(153)**	(189)
Purchases of available-for-sale investments		**(438)**	–
Purchases of investments held-for-trading		**(5,740)**	–
Proceeds from disposal of investments held-for-trading		**5,180**	–
Proceeds from disposal of property, plant and equipment		**29**	1,072
Proceeds from disposal of long term investments		**–**	187
Acquisition of a subsidiary	35	**(1,613)**	–
Net cash (used in)/generated from investing activities		**(2,391)**	666
Financing activities			
New bank loans raised		**21,000**	1,479
Repayments of bank loans		**(19,566)**	(18,376)
Interest paid		**(6,893)**	(6,699)
Hire purchase interest charges paid		**(48)**	(96)
Capital element of hire purchase contract payments		**(843)**	(795)
Net cash used in financing activities		**(6,350)**	(24,487)
Net (decrease)/increase in cash and cash equivalents		**(11,226)**	10,495
Cash and cash equivalents at beginning of the year		**7,461**	(3,034)
Effect of foreign exchange rate changes		**276**	–
Cash and cash equivalents at end of the year		**(3,489)**	7,461
Analysis of the balances of cash and cash equivalents:			
Cash and bank balances		**3,517**	13,412
Bank overdrafts		**(7,006)**	(5,951)
		(3,489)	7,461

1. GENERAL

The Company was incorporated in Bermuda on 31 July 1991 as an exempted company with limited liability under the Companies Act of Bermuda. The shares of the Company are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are disclosed in the corporate information on the annual report.

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

The Company acts as an investment holding company. Details of the principal subsidiaries are set out in note 22.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods begun on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests has been changed. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and prior accounting years are prepared and presented:

(a) Business combinations

In the current year, the Group has applied HKFRS 3 "Business Combinations" which is effective for business combinations for which the agreement date is on or after 1 January 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES *(CONTINUED)*

(a) Business combinations *(continued)*

Goodwill

In previous years, goodwill arising on acquisitions was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. With respect to goodwill previously capitalised on the balance sheet, the Group on 1 April 2005 eliminated the carrying amount of the related accumulated amortisation of HK$10,684,000 with a corresponding decrease in the cost of goodwill (see note 20). The Group has discontinued amortising such goodwill from 1 April 2005 onwards and goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1 April 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures for 2005 have not been restated (see note 3 for the financial impact).

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in income statement in the period in which the acquisition takes place. In previous periods, negative goodwill was presented as a deduction from assets and released to income on a systematic basis over the remaining useful life of the amortisable assets in average. In accordance with the relevant transitional provisions in HKFRS 3, the Group derecognised all negative goodwill as at 1 April 2005, with a corresponding decrease to the Group's accumulated losses.

(b) Financial Instruments

In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39 generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact on how financial instruments of the Group are presented for current and prior periods. The principal effects resulting from the implementation of HKAS 39 are summarised below:

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES *(CONTINUED)*

(b) Financial Instruments *(continued)*

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31 March 2005, the Group classified and measured its debt and equity securities in accordance with the alternative treatment of Statement of Standard Accounting Practice ("SSAP") 24. Under SSAP 24, investments in debt or equity securities are classified as "trading securities", "non-trading securities" or "held-to-maturity investments" as appropriate. Both "trading securities" and "non-trading securities" are measured at fair value. Unrealised gains or losses of "trading securities" are reported in profit or loss for the period in which gains or losses arise. Unrealised gains or losses of "non-trading securities" are reported in equity until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for that period. From 1 April 2005 onwards, the Group has classified and measured its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method after initial recognition.

On 1 April 2005, the Group classified and measured its debt and equity securities in accordance with the transitional provisions of HKAS 39. For available-for-sale investments, the cumulative unrealised losses previously reported in the income statement before 1 April 2005 continue to be held in the accumulated losses at 1 April 2005. On subsequent derecognition or impairment of the investment, the unrealised gain or loss remaining in equity will be transferred to profit or loss. For investments at fair value through profit or loss, the investments held-for-trading are measured at fair value, with changes in fair value being recognised in profit or loss directly.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES *(CONTINUED)*

(b) Financial Instruments *(continued)*

Financial assets and financial liabilities other than debt and equity securities

From 1 April 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or " held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition. The Group has applied the relevant transitional provisions in HKAS 39. However, there has been no material effect on how the results for the current accounting period are prepared and presented.

(c) Investment Properties

The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the income statement for the year in which they arise. In previous years, investment properties under SSAP 13 were measured at open market values, with revaluation surplus or deficits credited or charged to investment properties revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and a revaluation surplus subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. However, there has been no material effect on how the results for the current accounting period are prepared and presented.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES *1*

(d) Owner-occupied Leasehold Interest in Land

In previous years, owner-occupied leasehold land and buildings were included in properties held for redevelopment and measured at cost less impairment. In the current year, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. In current and prior periods, the Group's leasehold land and buildings included in properties held for redevelopment were continued to be included in properties held for redevelopment as the land and buildings elements cannot be allocated reliably.

(e) Share-based payments

In current year, the Group has applied HKFRS 2 "Share-based payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for the shares or rights over shares ("equity-settled transaction"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transaction"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of director's and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. In relation to share options granted before 1 April 2005, the Group has not applied HKFRS 2 to share options granted on or before 7 November 2002 and share options that were granted after 7 November 2002 and had vested before 1 January 2005 in accordance with the relevant transitional provisions. However, there has been no material effect on how the results for the prior and current accounting periods are prepared.

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The cumulative effect of the application of new HKFRSs on 31 March 2005 and 1 April 2005 are summarised below:

Balance sheet items	At 31 March 2005 (originally stated) HK$'000	Adjustments on 1 April 2005 HK$'000	At 1 April 2005 (restated) HK$'000
Impact of HKFRS 3:			
Goodwill	1,511	–	1,511
Negative goodwill	(541)	541	–
Impact of HKAS 32 and HKAS 39:			
Long term investments	2,456	(2,456)	–
Available-for-sale investments	–	2,456	2,456
Short term investments	11,065	(11,065)	–
Investments held-for-trading	–	11,065	11,065
Other net assets	172,320	–	172,320
Total effects on assets and liabilities	186,811	541	187,352
Accumulated losses	(1,081,511)	541	(1,080,970)
Other equities	1,268,322	–	1,268,322
Total effects on equity	186,811	541	187,352

The application of the new HKFRSs to the Group's equity on 1 April 2004 had no material effect on how the results are prepared and presented.

However, the Group has not early applied the following new standards and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these Standards or Interpretations will have no material impact on the financial statements of the Group.

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment[3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]

[1] Effective for annual periods beginning on or after 1 January 2007.
[2] Effective for annual periods beginning on or after 1 January 2006.
[3] Effective for annual periods beginning on or after 1 December 2005.
[4] Effective for annual periods beginning on or after 1 March 2006.

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost basis except for investment property, property held for redevelopment, investments held-for-trading and available-for-sale investments, which are measured at revalued amounts at fair values, as explained in the accounting policies set out below.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

The results of subsidiaries acquired or disposed during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Goodwill

Goodwill arising on acquisitions prior to 1 April 2005

Goodwill arising on an acquisition of a subsidiary or an associate for which the agreement date is before 1 April 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary or associate at the date of acquisition.

For previously capitalised goodwill, the Group has discontinued amortisation from 1 April 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired (see accounting policy below).

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Goodwill *(continued)*

Goodwill arising on acquisitions on or after 1 April 2005

Goodwill arising on an acquisition of a subsidiary or an associate for which the agreement date is on or after 1 April 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary or associate at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the balance sheet. Capitalised goodwill arising on an acquisition of an associate is included in the cost of the investment of the relevant associate.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, an whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly to income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary or an associate, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Goodwill *(continued)*

Excess of the Group's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over cost ("discount on acquisitions")

A discount on acquisition arising on an acquisition of a subsidiary or an associate for which an agreement date is on or after 1 April 2005 represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition arising on an acquisition of an associate is included as income in the determination of the Group's share of results of the associate in which the investment is acquired.

As explained in note 2 above, all negative goodwill as at 1 April 2005 has been derecognised with a corresponding adjustment to the Group's accumulated losses.

Subsidiaries

A subsidiary is an enterprise in which the Company, 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. Control is the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately, unless the relevant asset is carried a revalued amount under another HKFRS, in which case the impairment loss is treated as revaluation decrease under that HKFRS.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Impairment *(continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that other HKFRS.

Derecognition

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

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

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after an item of property, plant and equipment has been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the item of property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Property, Plant and Equipment *(continued)*

Depreciation is provided so as to write off the cost of each item of property, plant and equipment over its estimated useful life. The principal annual rates and bases used for this purpose are as follows:

Leasehold improvements	25% on the reducing balance basis
Furniture, fixtures and equipment	15% on the reducing balance basis
Motor vehicles	20% on the reducing balance basis

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

Investment Properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using fair value. Gains or losses arising from changes in the fair value of investment property are included in income statement for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in income statement for the period in which the item is derecognised.

Properties held for Redevelopment

Properties held for Redevelopment for future owner-occupied purpose

When the leasehold land and buildings are in the course of development for production, rental or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortised over a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for us (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Operating Lease

Rental payable under such operating leases are charged to income statement on the straight-line basis over term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Financial Instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial Assets

The Group's financial assets comprise of available-for-sale financial assets and loans and receivable.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as loans and receivables. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in profit or loss in subsequent periods.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial Assets *(continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables including other assets, debtors, deposits and prepayments, loan receivables and bank balances are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in income statement in the period in which they arise.

Financial Liabilities and Equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definition of a financial liability and a equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities are set out below.

Financial liabilities

Financial liabilities including bank borrowings, accounts payable, other payables and accruals and obligations under hire purchase contracts are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling prices less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Joint Venture Arrangement

Joint venture arrangement which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

Where an investment is made by means of joint venture structures which do not result in the Group having joint control with the other venturer, or any control nor significant influence over the joint venture, the investment in such joint venture is accounted for as unlisted investments held-for-sale which is stated at cost less any impairment.

Revenue Recognition

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

(a) from the sale of goods, when the significant risks of rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, in the period in which the services are rendered;

(c) from securities dealing and trading, on the transaction dates when the relevant contract notes are exchanged;

(d) commission and brokerage income on securities dealing, on the trade date basis;

(e) interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable;

(f) rental income, on the straight-line basis over the lease terms; and

(g) dividends, when the shareholders' right to receive payment has been established.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Employee Benefits

(a) *Retirement benefits scheme*

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

(b) *Employment Ordinance long service payments*

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance. A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

(c) *Share option scheme*

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the income statement or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

5. KEY SOURCES OF ESTIMATION AND UNCERTAINTY

The Group makes estimates and assumptions concerning the future in preparing accounting estimates. The resulting accounting estimates may not equal to the actual results. The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as below.

Useful lives of property, plant and equipment

In applying the accounting policy on property, plant and equipment with respect to depreciation, management estimates the useful lives of various categories of property, plant and equipment according to the industrial experiences over the usage of property, plant and equipment and also by reference to the relevant industrial norm.

Estimated allowance of doubtful debts

The Group makes allowance for doubtful debts based on an assessment of the recoverability of trade and other debtors. Allowances are applied to trade and other debtors where events or change in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgment and estimates. Where the future discounted cash flow of trade and other debtors is different from the carrying amount, such difference represents allowance for doubtful debts recognised as expense in the income statement.

Estimated allowance of inventories

The Group makes allowance for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgment and estimates on the conditions and usefulness of the inventories.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include available-for-sale investments, investments held-for-trading, loans receivable, accounts receivable, client trust bank accounts, pledged deposits, bank balances, bank borrowings, accounts payable and obligations under hire purchase contracts. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Currency risk

The Group operates mainly in Hong Kong and the Mainland China. Most of the Group's assets and liabilities are denominated in Hong Kong dollars and Renminbi with some creditors denominated in US dollars. The management manages and monitors the currency risk exposure and would consider the use of forward contract to mitigate the risk.

Interest rate risk

The Group was exposed to interest rate risk through the impact of rate changes on loans receivable, bank borrowings and obligations under hire purchase contracts. The management manages and monitors the interest rates exposures and would consider the use of interest rate swap to mitigate the risk. The interest rates and terms of loans receivable, obligations under hire purchase contracts and bank borrowings were disclosed in notes 26, 30 and 31 respectively.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 March 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

The credit risk for bank balances is considered minimal as such amounts are placed with banks with good credit ratings.

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

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 report.

The Group's operating businesses are structured and managed separately, according to the nature of operations, products and services they provide. Each of the Group's business segments represent a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments.

Summary details of the business segments are as follows:

– the general import and export trading segment mainly engages in the trading of garment and garment-related goods;

– the securities dealing and broking segment provides underwriting, trading and broking services mainly on marketable securities;

– the financing segment engages in money lending;

– the property redevelopment and investment segment engages in property redevelopment and letting of property;

– the strategic investments segment engages in investments for an identified long term purpose;

– the corporate segment comprises corporate income and expense items; and

– the others segment comprises principally trading of securities.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers and assets are attributed to the segments based on the location of the assets.

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(CONTINUED)*

(a) Business Segments

The following tables present the revenue, profit/(loss) and certain assets, liabilities and expenditure information for the Group's business segments:

	General import and export trading HK$'000	Securities dealing and broking HK$'000	Financing HK$'000	Property redevelopment and investment HK$'000	Strategic investments HK$'000	Corporate HK$'000	Others HK$'000	Eliminations HK$'000	Consolidated HK$'000
Income statement for the year ended 31 March 2006									
Segment revenue:									
External sales	58,759	9,298	3,547	–	–	–	–	–	71,604
Other revenue	1,446	510	377	500	95	2,123	–	–	5,051
Inter-segment sales	–	251	–	1,200	–	8,479	–	(9,930)	–
Total revenue	60,205	10,059	3,924	1,700	95	10,602	–	(9,930)	76,655
Segment result	563	(1,903)	(2,591)	1,088	11,157	(4,639)	(4,710)	(251)	(1,286)
Interest income									344
Finance costs									(6,941)
Loss before taxation									(7,883)
Taxation									–
Loss for the year									(7,883)
Balance sheet at 31 March 2006									
Segment assets	2,417	44,389	14,911	61,667	192,203	12,619	4,423	–	332,629
Unallocated assets									585
Consolidated total assets									333,214
Segment liabilities	951	13,001	245	316	20,378	1,353	476	–	36,720
Unallocated liabilities									118,640
Consolidated total liabilities									155,360
Other information:									
Depreciation	113	47	–	1	72	508	–	–	741
Impairment/gain	–	–	–	(600)	5,506	–	–	–	4,906
Other significant non–cash expenses/(income)	502	4,486	7,088	–	(18,299)	58	2,453	–	(3,712)
Capital expenditure	4	37	–	–	1,613	–	112	–	1,766

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(CONTINUED)*

(a) Business Segments *(continued)*

	General import and export trading	Securities dealing and broking	Financing	Property redevelopment and investment	Strategic investments	Corporate	Others	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Income statement for the year ended 31 March 2005									
Segment revenue:									
External sales	76,411	10,048	10,084	3	–	–	–	–	96,546
Other revenue	540	321	4,030	–	25,062	2	593	–	30,548
Inter-segment sales	–	1,084	–	1,000	–	19,778	–	(21,862)	–
Total revenue	76,951	11,453	14,114	1,003	25,062	19,780	593	(21,862)	127,094
Segment result	(1,644)	3,341	12,513	2,119	2,995	(13)	(11,823)	(256)	7,232
Interest and dividend income and unallocated gains									64
Finance costs									(6,795)
Profit before tax									501
Taxation									(573)
Loss for the year									(72)
Balance sheet at 31 March 2005									
Segment assets	8,643	48,785	20,624	61,060	166,846	12,220	8,311	–	326,489
Unallocated assets									110
Consolidated total assets									326,599
Segment liabilities	3,824	9,696	163	257	44,152	2,572	103	–	60,767
Unallocated liabilities									79,021
Consolidated total liabilities									139,788
Other information:									
Depreciation	175	383	–	1	89	690	–	–	1,338
Amortisation	–	–	–	–	23,421	–	–	–	23,421
Impairment/gain	–	–	–	(3,000)	423	–	–	–	(2,577)
Other significant non-cash expenses/(income)	304	598	4,618	–	(7,054)	1,163	4,495	3,242	7,366
Capital expenditure	124	4	–	–	–	61	–	–	189

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(CONTINUED)*

(b) Geographical segments

The following table presents revenue and certain assets and expenditure information for the Group's geographical segments:

	2006	2005
	HK$'000	*HK$'000*
Hong Kong	**26,933**	38,011
Europe	**44,671**	57,745
Others	**–**	790
	71,604	96,546

	Segment assets		**Capital expenditure**	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**142,954**	166,828	**1,766**	189
Mainland China	**190,260**	159,771	**–**	–
	333,214	326,599	**1,766**	189

8. TURNOVER, OTHER REVENUE AND GAINS

	2006	2005
	HK$'000	*HK$'000*
Turnover		
Invoiced value of goods sold, net of returns and allowances	**58,759**	76,411
Commission and brokerage income from securities dealing	**4,369**	4,478
Interest income from the financing business	**8,476**	15,654
Gross rental income	**–**	3
	71,604	96,546
Other revenue		
Interest income	**344**	49
Dividend income from listed investments	**–**	15
Other income	**4,927**	2,514
	5,271	2,578
Gains		
Negative goodwill recognised as income	**–**	2,164
	5,271	4,742

9. FINANCE COSTS

	2006	2005
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts wholly repayable:		
– within five years	**5,996**	2,542
– over five years	**897**	4,155
Interest charges for hire purchase contracts	**48**	98
	6,941	6,795

10. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation have been arrived at after charging:

	2006	2005
	HK$'000	*HK$'000*
Depreciation	**741**	1,338
Staff costs (including directors' remuneration):		
– Salaries and allowances	**13,325**	14,137
– Retirement benefit scheme contributions	**565**	351
	13,890	14,488
Auditors' remuneration	**535**	598
Minimum lease payments under operating leases for land and buildings	**913**	1,274
Net loss on foreign currencies exchange	**1,265**	–
Other expenses:		
– Unrealised holding losses on listed investments	**–**	8,582
– Fair value changes in investments held-for-trading	**3,993**	–
– Amortisation of goodwill	**–**	584
– Impairment of goodwill	**3,124**	–
– Loss on disposal of property, plant and equipment	**475**	1,163
	7,592	10,329

And after crediting:		
Interest income	**344**	49
Gross and net rental income	**–**	3

11. DIRECTORS' REMUNERATION

The remuneration paid or payable to each of seven (2005: seven) directors were as follows:

Name of Director	Fees	Salaries and other benefits	Performance related incentive payments	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2006					
Tam Wing Fai Johnny	–	1,848	–	12	1,860
Yeung Han Yi Yvonne	–	1,258	–	32	1,290
Chan Chi Mei Miranda	–	528	–	26	554
Ching Suet Ming	–	459	–	57	516
Lim Man San David	80	–	–	–	80
Yeung Shun Kee Edward	80	–	–	–	80
Chow Pat Kan	80	–	–	–	80
Total for the year 2006	240	4,093	–	127	4,460
2005					
Tam Wing Fai Johnny	–	2,040	–	12	2,052
Yeung Han Yi Yvonne	–	1,285	–	32	1,317
Chan Chi Mei Miranda	–	550	–	28	578
Ching Suet Ming	–	456	–	23	479
Lim Man San David	80	–	–	–	80
Yeung Shun Kee Edward	80	–	–	–	80
Chow Pat Kan	20	–	–	–	20
Total for the year 2005	180	4,331	–	95	4,606

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2005: three) directors, details of whose remuneration are disclosed in note 11. The emoluments of the remaining one (2005: two) highest paid employee are as follows:

	2006	2005
	HK$'000	HK$'000
Salaries, allowances and other benefits	**759**	1,503
Retirement benefit scheme contributions	**38**	60
	797	1,563

The emoluments were within the following band:

	Number of employees	
	2006	2005
Nil – HK$1,000,000	**1**	2

13. TAXATION

(a) Taxation in the consolidated income statement represents:

	2006	2005
	HK$'000	*HK$'000*
Provision for Hong Kong profits tax		
– Current year	**–**	266
Deferred tax		
– Current year	**–**	307
Tax charge for the year	**–**	573

Profits tax has not been provided as the Group has no assessable profits for the year.

13. TAXATION

(b) The taxation for the year can be reconciled to the (loss)/profit before taxation as follows:

	2006	2005
	HK$'000	*HK$'000*
(Loss)/profit before taxation	**(7,883)**	501
Tax at Hong Kong profits tax rate of 17.5%	**(1,380)**	88
Tax effect of expenses not deductible for tax purpose	**2,447**	2,432
Tax effect of income not taxable for tax purpose	**(3,576)**	(2,115)
Tax effect of tax losses not recognised	**3,070**	2,245
Utilisation of tax losses previously recognised	**(732)**	(2,299)
Others	**171**	222
Tax charge for the year	**–**	573

The domestic tax rate in Hong Kong is used as it is where the operation of the Group is substantially based.

(c) The Group has not recognised deferred tax assets in respect of tax losses of approximately HK$345,000,000 (2005: HK$337,000,000). The tax losses do not expire under the current tax legislation.

14. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company for the year ended 31 March 2006 dealt with in the financial statements of the Company was HK$4,086,000 (2005: HK$3,406,000).

15. DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2006.

For the year ended 31 March 2005, the Directors declared to pay an interim dividend of HK$0.025 (the "Cash Dividend"), totaling HK$468,000, for every 100 shares of the Company held at 6 January 2005. Other than the Cash Dividend, the Directors also declared an interim dividend in specie that was satisfied by the distribution of one share of each of M Dream Inworld Limited and B.A.L. Holdings Limited and two shares of Riverhill Holdings Limited for every 100 shares of the Company held at 6 January 2005.

16. (LOSS) /EARNINGS PER SHARE

The calculation of basic loss per share for the year ended 31 March 2006 (2005: basic earnings per share) is based on the loss attributable to equity holders of the Company of HK$13,990,000 (2005: profit of HK$3,256,000) and the weighted average of 1,871,188,679 (2005: 1,871,188,679) ordinary shares in issue during the year.

Diluted loss per share for the year ended 31 March 2006 has not been disclosed, as the options outstanding had an anti-dilutive effect on the basic loss per share for the year.

The calculation of diluted earnings per share for the year ended 31 March 2005 is based on the profit attributable to equity holders of the Company of HK$3,256,000 and the weighted average of 1,880,116,997 ordinary shares after adjusting for the effects of all dilutive potential ordinary share under the share option scheme of the Company.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At Cost:					
At 1 April 2004	2,444	1,813	4,953	4,037	13,247
Additions	–	150	39	–	189
Disposals	(2,444)	(445)	(257)	–	(3,146)
At 31 March 2005	–	1,518	4,735	4,037	10,290
Additions	–	–	153	–	153
Disposals	–	(236)	(1,045)	–	(1,281)
At 31 March 2006	**–**	**1,282**	**3,843**	**4,037**	**9,162**
Accumulated Depreciation:					
At 1 April 2004	561	1,328	3,254	1,177	6,320
Charges for the year	32	140	545	621	1,338
Written back on disposals	(593)	(194)	(124)	–	(911)
At 31 March 2005	–	1,274	3,675	1,798	6,747
Charges for the year	–	49	192	500	741
Written back on disposals	–	(116)	(661)	–	(777)
At 31 March 2006	**–**	**1,207**	**3,206**	**2,298**	**6,711**
Net Book Value:					
At 31 March 2006	**–**	**75**	**637**	**1,739**	**2,451**
At 31 March 2005	–	244	1,060	2,239	3,543

The net book value of motor vehicles held under hire purchase contracts at 31 March 2006 amounted to HK$1,723,000 (2005: HK$2,154,000).

18. INVESTMENT PROPERTY

	2006	2005
	HK$'000	*HK$'000*
At beginning of year	**14,000**	13,000
Revaluation increase	**–**	1,000
Gain on fair value changes	**600**	–
At end of year	**14,600**	14,000
Analysis by lease term and geographical location:		
Leasehold property situated in Hong Kong held under medium term lease	**14,600**	14,000

The investment property was valued by Knight Frank Petty Limited, an independent professionally qualified property valuer, on an open market, existing use basis at 31 March 2006. The investment property is pledged to secure banking facilities granted to the Group, as detailed in note 31 to the financial statements.

19. PROPERTY HELD FOR REDEVELOPMENT

	2006	2005
	HK$'000	*HK$'000*
At beginning of year	**47,000**	45,000
Add: Impairment written back	**–**	2,000
At end of year	**47,000**	47,000

The property held for redevelopment is situated in Hong Kong, held under medium term lease and is pledged to secure banking facilities granted to the Group, as further detailed in note 31 to the financial statements.

20. GOODWILL

	HK$'000
Cost:	
At 31 March 2005 and 1 April 2005	12,195
Elimination of amortisation accumulated prior to the adoption of HKFRS 3 (see notes 2 and 3)	(10,684)
Acquisition of a subsidiary	1,613
At 31 March 2006	3,124
Accumulated amortisation:	
At 1 April 2004	(10,100)
Impairment recognised for the year	(584)
At 1 April 2005	(10,684)
Elimination of amortisation accumulated prior to the adoption of HKFRS 3 (see notes 2 and 3)	10,684
At 31 March 2006	–
Impairment:	
Impairment recognised for the year ended 31 March 2006 and at 31 March 2006	(3,124)
Carrying amount:	
At 31 March 2006	–
At 31 March 2005	1,511

Until 31 March 2005, goodwill had been amortised over its estimated useful life of 5 years.

21. NEGATIVE GOODWILL

	HK$'000
Cost:	
At 31 March 2004	(10,821)
Accumulated amount recognised as income:	
At 1 April 2004	8,116
Amount recognised as income during the year	2,164
At 31 March 2005	10,280
Derecognised upon the application of HKFRS 3 (see notes 2 and 3)	541
At 1 April 2005 (as restated) and 31 March 2006	10,821
Carrying amount:	
At 31 March 2006	–
At 31 March 2005	(541)

As stated in note 2, all negative goodwill arising on acquisitions prior to 1 April 2005 was derecognised upon the application of HKFRS 3.

22. INTERESTS IN SUBSIDIARIES

	Company	
	2006	2005
	HK$'000	*HK$'000*
Unlisted shares, at cost	**4,100**	4,100
Less: Impairment	**(4,100)**	(4,100)
	–	–
Amounts due from a subsidiary	**562,503**	566,597
Less: Provision against amounts due from a subsidiary	**(423,690)**	(423,690)
	138,813	142,907
	138,813	142,907

22. INTERESTS IN SUBSIDIARIES *(CONTINUED)*

The amounts due from a subsidiary are unsecured and have no fixed repayment terms. For the year ended 31 March 2006, certain amounts due from the subsidiary bear interest ranging from 2% to 7.75% per annum. No interest was charged on the amounts due from the subsidiary for the year ended 31 March 2005.

The carrying amount of the amounts due from the subsidiary approximate to its fair values.

Particulars of the principal subsidiaries at 31 March 2006 are as follows:

Name	**Place of incorporation and operations**	**Nominal value of issued ordinary share capital**	**Percentage of equity attributable to the Company**		**Principal activities**
			Direct	**Indirect**	
City Faith Investments Limited	Hong Kong	HK$2	–	100	Property investment
Devonia Development Limited	Hong Kong	HK$10,000	–	100	Property redevelopment
Ever-Long Finance Limited	Hong Kong	HK$22,500,000	–	100	Provision of financing services
Ever-Long Securities Company Limited	Hong Kong	HK$100,000,000	–	100	Securities broking and provision of financing services
Kalomex (International) Limited	Hong Kong	HK$2,000,000	–	100	Trading of garment
Kippton Limited	Hong Kong	HK$10,000	–	86.8	Investment holding
Sheng Da Investment Holding (Hong Kong) Limited ("Sheng Da")	Hong Kong	HK$204,082	–	48.9*	Investment holding
Styland Enterprises Limited	Hong Kong	HK$2	100	–	Provision of management services
Styland (International) Limited	Hong Kong	HK$100,000	–	100	Securities investment

* Sheng Da is a subsidiary of Kippton Limited, an 86.8% indirectly owned subsidiary of the Company and, accordingly, is accounted for as a subsidiary by virtue of control.

22. INTERESTS IN SUBSIDIARIES *(CONTINUED)*

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

23. INVESTMENT IN A JOINT VENTURE HELD-FOR-SALE/INTERESTS IN A JOINT VENTURE

	2006	2005
	HK$'000	*HK$'000*
Unlisted investment, at cost	**551,837**	551,837
Less: Accumulated amortisation	**(268,331)**	(268,331)
Impairment	**(131,672)**	(152,076)
	151,834	131,430
Amount due to the joint venture	**(13,125)**	(6,954)
Dividend receivable	**19,153**	18,898
	157,862	143,374
Classified as:		
Non-current assets:		
Interests in a joint venture	**–**	143,374
Dividend receivable	**19,153**	–
Current assets:		
Investment in a joint venture held-for-sale	**151,834**	–
Current liabilities:		
Amount due to the joint venture, included in other payables	**(13,125)**	–
	157,862	143,374

23. INVESTMENT IN A JOINT VENTURE HELD-FOR-SALE/INTERESTS IN A JOINT VENTURE *(CONTINUED)*

The investment in a joint venture represents the Group's investment in a Sino-foreign co-operative joint venture (the "JV"), Wuhan Dongseng Highway Building Development Company Limited ("Dong Seng"). The principal activity of Dong Seng is the development and operation of a section of National Highway 318 as a toll expressway in Wuhan, China for a tenure of 19.5 years commenced from 10 November 1995, including 1.5 years of construction and development period and an operational period of 18 years.

Pursuant to the joint venture agreement, the Group cannot control or exercise significant influence over Dong Seng and is only entitled to profit distribution throughout the operational period of 18 years. Upon expiry of the joint venture, the toll expressway will be returned to the joint venture partner.

As the JV partner had unilaterally decided to relocate the toll station of the National Highway 318 during the year ended 31 March 2004, the Group therefore decided to dispose of its interest in Dong Seng to the JV partner. Pursuant to a judgment issued by Wuhan Arbitration Commission (武漢仲裁委員會) on 18 April 2006, the Group's interest in Dong Seng shall be transferred to the JV partner at a value of RMB157,298,300 (equivalent to approximately HK$151,834,000). An impairment loss of HK$20,404,000 was therefore written back for the year ended 31 March 2006.

The investment in Dong Seng is pledged to secure a bank loan granted to the Group, as further detailed in note 31 to the financial statements.

The amount due to Dong Seng is unsecured, interest-free (2005: bearing interest at prevailing market rate up to 31 December 2004 and thereafter interest-free) and has no fixed repayment terms.

The fair value of the amount due to Dong Seng at 31 March 2006 approximates to its corresponding carrying amount.

24. AVAILABLE-FOR-SALE INVESTMENTS/LONG TERM INVESTMENTS

	2006	2005
	HK$'000	*HK$'000*
Listed securities in Hong Kong, at market value	**3,098**	1,316
Unlisted equity investment, at cost less impairment	**–**	1,140
	3,098	2,456
Classifed as:		
Available-for-sale investments	**3,098**	–
Long term investments	**–**	2,456
	3,098	2,456

As at the balance sheet date, all available-for-sale investments in listed securities are stated at fair value. Fair value of those investments have been determined by reference to the bid prices quoted in active market.

25. INVENTORIES

	2006	2005
	HK$'000	*HK$'000*
Raw materials	**62**	419
Finished goods	**130**	670
	192	1,089

No inventories were carried at net realisable value at 31 March 2006 (2005: Nil).

26. LOANS RECEIVABLE

	2006	2005
	HK$'000	*HK$'000*
Securities dealing and broking business:		
– Secured margin loans	**37,986**	39,584
Less: Impairment	**(11,000)**	(9,609)
	26,986	29,975
Financing business:		
– Secured loans	**16,623**	15,413
– Unsecured loans	**43,056**	39,396
	59,679	54,809
Less: Impairment	**(45,369)**	(39,535)
	14,310	15,274
	41,296	45,249

An aged analysis of the Group's loans receivable excluding margin loans is as follows. No aged analysis on margin loans is disclosed as, in the opinion of the Directors, an aged analysis is not meaningful in view of the nature of the business of securities margin financing.

	2006	2005
	HK$'000	*HK$'000*
Financing business:		
Within 6 months	**4,689**	30,608
7 to 12 months	**5,550**	853
Over 1 year	**49,440**	23,348
	59,679	54,809
Less: Impairment	**(45,369)**	(39,535)
	14,310	15,274

The fair value of the Group's loans receivable at 31 March 2006 approximates to their corresponding carrying amount.

27. ACCOUNTS RECEIVABLE

Trading terms with general trading customers are largely on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 30 to 60 days of issuance, except for certain well-established customers, where the terms are extended to 90 days. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed by senior management.

	2006	2005
	HK$'000	*HK$'000*
Balance in relation to:		
Securities dealing and broking	**6,715**	2,398
General trading and others	**1,876**	6,240
	8,591	8,638

An aged analysis of the Group's accounts receivable is as follows:

	2006	2005
	HK$'000	*HK$'000*
Within 6 months	**8,314**	8,309
7 to 12 months	**224**	531
Over 1 year	**617**	500
	9,155	9,340
Less: Impairment	**(564)**	(702)
	8,591	8,638

The fair value of the Group's accounts receivable at 31 March 2006 approximates to their corresponding carrying amount.

28. INVESTMENTS HELD-FOR-TRADING/SHORT TERM INVESTMENTS

	2006 HK$'000	2005 HK$'000
Equity securities listed in Hong Kong, at market value	**2,454**	11,065
Classified as:		
Investments held-for-trading	**2,454**	–
Short term investments	**–**	11,065
	2,454	11,065

As at the balance sheet date, all investments held-for-trading in listed securities are stated at fair value. The fair value of those investments have been determined by reference to the bid prices quoted in active market.

29. ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

	2006 HK$'000	2005 HK$'000
Balance in relation to:		
Securities dealing and broking	**13,001**	9,695
General trading and others	**23,719**	14,258
	36,720	23,953
An aged analysis of the Group's accounts payable is as follows:		
Within 6 months	**7,910**	7,737
7 to 12 months	**1,161**	116
Over 1 year	**2,567**	3,066
Accounts payable	**11,638**	10,919
Other payables and accruals	**25,082**	13,034
	36,720	23,953

The fair value of the Group's accounts payable, other payables and accruals at 31 March 2006 approximates to their corresponding carrying amount.

30. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

The Group has acquired certain of its motor vehicles for business use under hire purchase contracts.

At 31 March 2006, the total future minimum payments under hire purchase contracts and their present values were as follows:

	Minimum payments		**Present value of minimum payments**	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable under hire purchase contracts:				
Within one year	**409**	893	**402**	843
In the second year	**–**	409	**–**	402
Total minimum hire purchase payments	**409**	1,302	**402**	1,245
Less: Future hire purchase interest	**(7)**	(57)		
Hire purchase payables	**402**	1,245		
Portion classified as current liabilities	**(402)**	(843)		
Long term portion	**–**	402		

The directors considered that the carrying amounts of the Group's obligations under hire purchase contracts approximates to their fair value.

31. BANK BORROWINGS

	2006	2005
	HK$'000	*HK$'000*
Bank borrowings comprise:		
Bank loans, secured	**106,393**	103,800
Bank overdrafts, secured	**7,006**	5,951
	113,399	109,751
Portion classified as current liabilities	**(95,775)**	(48,800)
Long term portion	**17,624**	60,951
Bank loans and overdrafts are repayable:		
Within one year	**95,775**	48,800
In the second year	**1,896**	46,657
In the third to fifth years, inclusive	**5,688**	5,688
Beyond five years	**10,040**	8,606
	113,399	109,751

The fair value of the Group's bank borrowings approximates to their carrying amounts.

The bank loans include approximately HK$86,873,000 (2005: HK$85,714,000) fixed rate borrowings which carry interest at 6.73% per annum (2005: 6.44% per annum).

The bank loans also include approximately HK$19,520,000 (2005: HK$18,086,000) variable-rate borrowings which carry interest at the prime rate of the lending bank less 2.75% (2005: HIBOR plus 1.75% and the best lending rate of the lending bank less 1%), and their effective interest rates are ranging from 2.82% to 5.25% (2005: 1.83% to 4.14%).

The bank overdrafts are variable-rate borrowings which carry interest at the rate of 1% over the fixed deposit rate of the pledged deposits, and their effective interest rates are ranging from 2.53% to 4.76% (2005: 1.02% to 2.48%).

31. BANK BORROWINGS *(CONTINUED)*

The Group's bank loans and overdrafts are secured by:

(i) margin clients' listed securities under the securities dealing and broking business;

(ii) marketable securities of secured loan borrowers under the financing business;

(iii) the Group's investment property and property held for redevelopment situated in Hong Kong;

(iv) certain of the Group's time deposits; and

(v) investment in a joint venture.

32. SHARE CAPITAL

	2006	2005
	HK$'000	*HK$'000*
Authorised:		
200,000,000,000 Ordinary shares of HK$0.01 each	**2,000,000**	2,000,000
Issued and fully paid:		
1,871,188,679 Ordinary shares of HK$0.01 each	**18,712**	18,712

33. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Under the Scheme which was approved and adopted in a special general meeting of the Company held on 23 August 2002, the directors may, within a period of 10 years, grant to directors and/or executives of the Group, non-transferrable options to subscribe for shares in the Company.

The maximum number of shares issuable under share options to each eligible participant within any 12-month period is limited to 1% of the shares in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

33. SHARE OPTION SCHEME *(CONTINUED)*

Share options granted to a director, chief executive or substantial shareholder, or to any of their associates, are subject to approval in advance by the independent non-executive directors.

The exercise price of the share options is determined by directors, but may not be less than the higher of (i) the Stock Exchange closing price of the shares on the date of grant of the share options; and (ii) the average Stock Exchange closing price of the shares for the five trading days immediately preceding the date of the grant of the share options.

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

The following was the share option movements under the Scheme during the year:

	Number of share options							
Name of grantee	**At 1 April 2005**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**At 31 March 2006**	**Date of grant of share options**	**Exercise period of share options**	**Exercise price of share options**
								HK$
Director								
Tam Wing Fai Johnny	17,000,000	–	–	–	17,000,000	13 Nov 2003	13 Nov 2003 – 12 Nov 2006	0.0228
Employees								
Employee A	14,549,800	–	–	–	14,549,800	20 Jun 2003	20 Jun 2003 – 19 Jun 2006	0.0148
Employee B	17,000,000	–	–	–	17,000,000	13 Nov 2003	13 Nov 2003 – 12 Nov 2006	0.0228
Total	48,549,800	–	–	–	48,549,800			

As at 31 March 2006, the Company had 48,549,800 share options outstanding under the Scheme.

34. RESERVES

	Share premium account HK$'000	Capital redemption reserve HK$'000	Special capital reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
Company						
At 1 April 2004	35,831	6,040	571,147	619,813	(1,103,378)	129,453
Interim dividend paid	–	–	–	(2,144)	–	(2,144)
Net loss for the year	–	–	–	–	(3,406)	(3,406)
At 31 March 2005	35,831	6,040	571,147	617,669	(1,106,784)	123,903
Net loss for the year	–	–	–	–	(4,086)	(4,086)
At 31 March 2006	35,831	6,040	571,147	617,669	(1,110,870)	119,817

The Company's contributed surplus represents the difference between the fair value of the subsidiaries acquired pursuant to the Group reorganisation in November 1991 and the nominal value of the shares issued by the Company and the transfer from share premium account of HK$600,000,000 in December 2000, less the transfer to the capital redemption reserve of HK$6,040,000 in November 2000. Under the Companies Act of Bermuda (the "Act"), the Company's contributed surplus is distributable to shareholders under certain circumstances.

Special capital reserve represents the amounts transferred from the Company's share capital upon adjustments of the nominal value of the Company's share in prior years. Under the Act, the special capital reserve is distributable to shareholders under certain circumstances.

35. ACQUISITION OF A SUBSIDIARY

On 26 November 2005, the Group acquired 100% of the issued share capital of Sea Power Investments Limited at consideration of HK$1,612,508. This acquisition has been accounted for using the purchase method. The directors of the Company determined that the fair value of the assets and liabilities of the subsidiary acquired approximate to their carrying amounts before combination, accordingly no fair value adjustments have been put through.

The net assets acquired in the transaction are as follows:

	HK$'000
Net assets acquired:	
Loan receivable	438
Amount due to a shareholder	(438)
Net assets acquired	–
Goodwill on acquisition	1,613
	1,613
Satisfied by:	
Cash consideration	1,613
Net cash outflow arising on acquisition:	
Cash consideration paid	1,613

36. OPERATING LEASE ARRANGEMENTS

As at 31 March 2006, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2006	2005
	HK$'000	*HK$'000*
Within one year	**645**	786
In the second to fifth years, inclusive	**54**	513
	699	1,299

The Company had no arrangement under operating leases at the balance sheet date (2005: Nil).

37. CAPITAL COMMITMENTS

In addition to the operating lease arrangements detailed in note 36 above, the Group had the follow capital commitments at the balance sheet date.

	2006	2005
	HK$'000	*HK$'000*
Authorised, but not contracted for:		
Property held for redevelopment	**9,000**	9,000

38. CONTINGENT LIABILITIES

As at 31 March 2006, the Company had contingent liabilities in respect of corporate guarantees given to banks in connection with the banking facilities granted to certain subsidiaries, of which HK$19,520,000 (2005: HK$18,086,000) had been utilised at 31 March 2006.

39. LITIGATIONS

(1) In December 2004, the Company received a writ of summons from the solicitors acting for C.A. Pacific Finance Limited (in liquidation) to claim a sum of HK$1,197,349.50 (the "Claimed Amount") due by Eastex Investment Far East Limited (formerly known as Styland Investment Far East Limited), a former subsidiary of the Company that was disposed in December 1997 (the "CAP Case"). After seeking legal advices, the Company has filed a defence to deny the claim. In view of foregoing and that the Claimed Amount is relatively small compared to the net assets value of the Company, the Directors do not consider the CAP Case having a material impact on the Company.

(2) In June 2003, Hainan Wanzhong Shiye Touzi Co., Ltd. (海南萬眾實業投資有限公司) ("Hainan Wanzhong") sued Wuhan Shengda Fangdichan Kaifa Co., Ltd. (武漢盛達房地產開發有限公司) ("Shengda Fangdichan") and Sheng Da Investment Holding (Hong Kong) Limited ("Sheng Da"), a non-wholly owned subsidiary of the Company, for repayment of a debt in the sum of RMB19,270,000, interest thereon and legal costs (the "Shengda Case"). Both Hainan Wanzhong and Shengda Fangdichan are companies incorporated in the PRC and independent to the Company. The reason for Sheng Da to be involved in the Shengda Case was that Hainan Wanzhong alleged that Shengda Fangdichan held shareholding interest in and had a receivable due from Sheng Da. On 22 August 2003, the court of Hainan issued a Notice of Assistance in Execution against Wuhan Dongseng Highway Building Development Co. Limited, in which Sheng Da has 48.67% shareholding interest, requesting for retaining the dividend to be distributed to Sheng Da up to RMB19,270,000 ("Retained Amount") until the dispute is resolved.

39. LITIGATIONS *(CONTINUED)*

The Board understands that Shengda Case related to an agreement executed by Sheng Da in 1995. Pursuant to shareholders' resolution passed in 2003, three existing shareholders ("Old Shareholders") of Sheng Da, who in total currently holds 44.32% interest in Sheng Da and have been the shareholders of Sheng Da before the Company initially acquired any interests in Sheng Da in 1997, undertook that they would bear any liability and relevant costs arising from the Shengda Case ("Undertaking"). In March 2005, Sheng Da received a letter from the Old Shareholders denying bearing such liability and legal costs. Nevertheless, the Directors consider that:

(i) the Group is not liable for any debt arising from the Shengda Case;

(ii) the subject of the Shengda Case was to claim for a receivable due from Shengda Fangdichan to Hainan Wanzhong and Sheng Da should not be claimed for; and

(iii) the Group will not accept the withdrawal of the Undertaking by the Old Shareholders unilaterally and any future dividend or distribution payable to the Old Shareholders shall still be retained by Sheng Da to set off the Retained Amount. As such, there will be no material financial impact to the Group.

40. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified and restated as appropriate, is set out below:

RESULTS

	Year ended 31 March				
	2006	2005	2004	2003	2002
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER	**71,604**	96,546	114,728	119,137	122,784
(LOSS)/PROFIT BEFORE TAXATION	**(7,883)**	501	(268,836)	(291,876)	(166,509)
TAXATION	**–**	(573)	655	2,667	(5,782)
LOSS BEFORE MINORITY INTERESTS	**(7,883)**	(72)	(268,181)	(289,209)	(172,291)
MINORITY INTERESTS	**(6,107)**	3,328	110,505	21,689	21,708
(LOSS) /PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**(13,990)**	3,256	(157,676)	(267,520)	(150,583)

ASSETS AND LIABILITIES AND MINORITY INTERESTS

	As at 31 March				
	2006	2005	2004	2003	2002
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	**333,214**	326,599	358,724	676,545	990,484
TOTAL LIABILITIES	**(155,360)**	(139,788)	(169,697)	(222,359)	(247,580)
MINORITY INTERESTS	**(43,266)**	(37,159)	(40,487)	(150,992)	(181,615)
	134,588	149,652	148,540	303,194	561,289

Details of Properties Held

INVESTMENT PROPERTY

Property	Lot no./location	Category of lease	Use
Unit 3A, Daisyfield No. 4135 Tai Po Road Tai Po Kau New Territories Hong Kong	All those 38 equal undivided 200th parts or shares of the remaining portion of Tai Po Inland Lot no. 10 and the extension thereto	Medium term	Residential

PROPERTY HELD FOR REDEVELOPMENT

Property	Lot no./location	Category of lease	Use
House 4, Customs Pass No. 18 Fei Ngo Shan Road Sai Kung, New Territories Hong Kong	31 In D.D. 228	Medium term	Redevelopment