2006
Annual Report

China Conservational Power Holdings Limited
中 國 環 保 電 力 控 股 有 限 公 司

Stock Code:290

Contents

Corporate Information

Board of Directors

Executive Directors

Ms. YOU Wei *(Chairman)*
Mr. NG Khai Wain *(Chief Executive Officer)*
Mr. YEUNG Kwok Leung

Independent Non-Executive Directors

Mr. Albert HO
Mr. Shane PHILLIPS
Mr. CAI Zhixu

Company Secretary

Ms. CHOW Man Ngan

Audit Committee

Mr. Albert HO *(Chairman of Audit Committee)*
Mr. Shane PHILLIPS
Mr. CAI Zhixu

Remuneration Committee

Mr. NG Khai Wain
(Chairman of Remuneration Committee)
Mr. Albert HO
Mr. CAI Zhixu

Auditors

Horwath Hong Kong CPA Limited
Certified Public Accountants

Registered office

P.O. Box 309
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

Head office and principal place of business in Hong Kong

1702-3, 17th Floor
Skyline Commercial Centre
71-77 Wing Lok Street
Sheung Wan
Hong Kong

Tel : (852) 3105 1863
Fax : (852) 3105 1862

Principal bankers

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited

Legal Advisers

Hong Kong Law
Troutman Sanders
Cayman Islands Law
Maples and Calder

Cayman Islands principal share registrar and transfer office

Butterfield Fund Services (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 705, George Town
Grand Cayman, Cayman Islands
British West Indies

Hong Kong branch share Registrar and transfer office

Hong Kong Registrars Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

Stock Code

0290

Chairman's Statement

I herewith present the annual report of the Company and its subsidiaries (the "Group") for the year ended 31 March 2006. The report is also the first report I submit since I was elected the Chairman after the change of control of the Company in May 2006.

The period under review was a challenging year for the Company, especially in light of the event which occurred in late September 2005. On 29 September 2005, the Independent Commission Against Corruption issued a press release in relation to the arrest of 22 individuals for alleged corruption over the misappropriation of funds from listed companies. It was subsequently reported in certain press articles that several former directors of the Company had been arrested. At the request of the Company, trading in the shares of the Company was suspended from 9:30 a.m. on 29 September 2005.

Since then, the composition of the Board had undergone various changes. Most of the members of the current Board were appointed in May 2006. The new Board is now in the course of reviewing the existing financial, business and operational positions of the Company and undertaking a wide-ranging strategic review.

The prime goal for the Board is to formulate a proposal for resumption of trading of the shares of the Company so as to protect the interest of the Company. The Board is in the course of reviewing the draft reports on the financial due diligence review conducted by CCIF CPA Limited for the period from 1 April 2005 to 31 December 2005.

A number of proposed acquisitions during the year had to be terminated by the Company. The Board is pleased to note that such termination does not affect the existing businesses of the Group, namely, electrical engineering contracting business, trading in electrical materials and components, investment holding, securities brokerage, financing, money-lending and sea freight forwarding services.

Last, but not the least, I deeply appreciate that, during this difficult time of the Company, although my colleagues are facing a lot of challenges, they have remained dedicated to their job. May I take this opportunity to extend my gratitude for their loyalty and efforts. I look forward to their ongoing contributions to achieve further progress in the years to come.

By Order of the Board

YOU Wei
Chairman

Hong Kong, 27 July 2006

Management Discussion and Analysis

REVIEW OF OPERATIONS

During the year, the Group recorded an audited loss attributable to shareholders of approximately HK$131,251,000 (2005: loss of approximately HK$94,376,000). The loss attributable to shareholders was mainly due to the making of provisions on investment deposits (HK$25,000,000), loans and margin receivable (HK$63,550,000), loans interest receivable (approximately HK$5,637,000) and investments held for trading (approximately HK$27,764,000).

ELECTRICAL ENGINEERING CONTRACTING BUSINESS

During the year, the Group continued the work in progress without any addition of new projects. The electrical engineering contracting business generated a turnover of approximately HK$17,737,000, representing a decline of 59.0% from HK$43,307,000 last year. Turnover from electrical engineering contracting business accounted for 59.7% (2005: 42.3%) of the total turnover of the Group.

During the year under review, various contracts, including the contracts for electrical engineering work at Tseung Kwan O Area 74 phase 4 and Tin Shui Wai Area 102-phase 2 and the term contract for electrical maintenance work for Hong Kong Housing Authority and Architectural Services Department were completed.

As at 31 March 2006, the value of the Group's outstanding electrical engineering contracts on hand amounted to approximately HK$779,000.

ELECTRICAL MATERIALS & COMPONENT TRADING BUSINESS

Given the continued unfavourable market condition of local construction industry, the external sales from electrical materials and components trading of the Group decreased by 43.6% from approximately HK$3,306,000 in the previous year to approximately HK$1,865,000. In addition, with the increasing import of electrical appliances from Mainland China, it is believed that the competitive environment for the electrical materials and components trading will not improve in the near future.

SECURITIES BROKERAGE AND FINANCING BUSINESS

Hong Tong Hai Securities Limited and Hong Tong Hai Capital Limited are engaged in asset management, financing, money-lending, and securities brokerage business. The income from these operations increased to approximately HK$10,078,000 from approximately HK$5,458,000 in the last financial year, representing an increase of 84.6%, as a result of the increased transactions in the financing and money-lending operations.

Hong Tong Hai Capital Limited is currently seeking legal and professional advice for the recovery of the overdue loans.

Management Discussion and Analysis

SEA FREIGHT FORWARDING SERVICES

The sea freight forwarding services has been temporarily suspended after several senior management staff resigned at the beginning of the year under review. The Group has not yet identified suitable staff for the recommencement of the sea freight forwarding business up to the date of this report and will continue to look for suitable candidates.

OTHER BUSINESSES

The Group recorded a realised gain of approximately HK$25,927,000 during the year for the disposal of three subsidiaries and made a provision for an associate company in the amount of approximately HK$467,000.

In addition, by exercising prudence, the Group has made provisions for impairment in the total of approximately HK$121,951,000 in respect of investment deposits, investments held for trading, loans receivable and loan interest receivables.

FINANCIAL REVIEW AND ANALYSIS

Financing

Liquidity, Financial Resources and Gearing

As at 31 March 2006, the Group's total current assets and current liabilities were approximately HK$89,335,000 (as at 31 March 2005: HK$118,585,000) and approximately HK$50,661,000 (as at 31 March 2005: HK$53,042,000) respectively, while the current ratio was about 1.76 times (as at 31 March 2005: 2.24 times).

As at 31 March 2006, the Group's aggregate cash balance amounted to approximately HK$19,707,000 (as at 31 March 2005: HK$13,303,000), representing 22.06% (as at 31 March 2005: 11.22%) of total current assets. Barring unforeseeable circumstances and with the financial support from a substantial shareholder of the Company, the Directors believe that the Group should have adequate funds and liquidity for its business operations.

As shown in the Group's consolidated balance sheet as at 31 March 2006, total equity amounted to approximately HK$40,056,000 (as at 31 March 2005: HK$139,937,000); whereas the Group's total borrowings was approximately HK$16,737,000 (as at 31 March 2005: HK$10,723,000) only, which mainly comprised of HK dollar overdrafts, borrowings and finance lease obligations. Bank overdrafts carry interest on the prime lending rate, other borrowings carry interest at fixed rate and finance charges are fixed on the date finance leases are entered into. Compared with the level of inventory level in the last financial year, the inventory level as at the end of this period decreased by 46.6%, which was mainly attributed to the shrinking of the electrical materials and components trading business.

As at 31 March 2006, the gearing ratio, defined as total debts over total assets, was approximately 18.04% (as at 31 March 2005: 4.38%). The increase in the gearing ratio was mainly due to new borrowing obtained from financial institutions.

Management Discussion and Analysis

Placing of New Shares and Use of Proceeds

On 21 April 2005, the Company placed a total of 77,344,000 new shares of HK$0.10 each at a consideration HK$0.40 per share, with Kingston Securities Limited as a placing agent, to independent investors pursuant to the placing underwriting agreement dated 22 March 2005, further details of which are set out in the announcement of the Company dated 22 March 2005. The placing of shares was completed on 21 April 2005.

The net proceeds of the abovementioned placing of shares amounted to approximately HK$30.1 million was intended to be used for making future investments including, inter alia, the proposed acquisition of up to 49% of the equity interest of a pharmaceutical product and investment company in the People's Republic of China. As the proposed acquisition did not proceeded, the entire amount of the net proceeds has been retained as the Group's general working capital.

Major Investments

During the year under review, the Group made no major investment except for the investment in the non-voting cumulative redeemable convertible preference shares of China Sciences Conservational Power Limited ("CSCPL"), which were issued by CSCPL to the Group as consideration for the disposal of the Group's investment in the waste incineration processing plant in Dongguan. Details of this disposal are set out in notes 25(a), 45 and 49 of the notes to the financial statements.

Foreign Exchange Management

The Group's purchases from overseas suppliers are always subject to foreign currency fluctuations. The Group monitors the risks in foreign exchange by way of placing forward foreign exchange contracts. Since the Company's shares are listed on The Stock Exchange of Hong Kong Limited, the Group basically has not changed its foreign exchange management policy. The risks in foreign exchange this year were reduced because of the decrease in overseas purchases at times of reduced trade activities. As at 31 March 2006, the Group had no significant outstanding forward foreign exchange contracts on hand.

Contingent Liabilities and Capital Commitments

Details of contingent liabilities and capital commitments are set out in notes 42 and 43 to the financial statements respectively.

Pledge of Assets

Details of the pledge of assets are set out in note 47 to the financial statements.

Management Discussion and Analysis

PROSPECTS

On 29 September 2005, the Independent Commission Against Corruption issued a press release in relation to the arrest of 22 individuals for alleged corruption over the misappropriation of funds from listed companies and it was subsequently mentioned in certain press articles that several former directors of the Company had been arrested. As a result, the Company requested a suspension in the trading of its shares with the effect from 9:30 a.m. on 29 September 2005. Trading of the shares of the Company remains suspended.

Since October 2005, the composition of the Board of the Company has undergone substantial changes. The Special Board Committee, comprising two former directors of the Company, was formed on 31 October 2005 to review the existing financial and business position of the Group. On 13 December 2005, CCIF CPA Limited, a firm of certified public accountants which is an independent third party, was appointed at the recommendation of the Special Board Committee to conduct a review of the financial affairs of the Group for the period from 1 April 2005 to 31 December 2005 (the "Financial Due Diligence Review"). Subsequent to the change in most of the Directors of the Board in May 2006 as a result of the change in substantial shareholder of the Company, the current Board is in the course of reviewing the draft reports on the Financial Due Diligence Review. The current Board will also review the existing businesses of the Group with the intention to formulate a proposal to submit to the Stock Exchange for the resumption of trading of the shares of the Company.

With the termination of a number of proposed acquisition, the current Board intends to continue for the time being with the existing business operation of the Group including electrical engineering contracting business, trading in electrical materials and components, investment holding, securities brokerage, financing, money-lending and sea freight forwarding services. For the electrical engineering contracting business, the current Board is currently negotiating an electrical engineering contract in a development site in Tseung Kwan O but no contracts have been signed up to the date of this report.

Biographical Details of Directors and Senior Management

Executive Directors

Ms. YOU Wei

Ms. YOU Wei, aged 29, was appointed as an Executive Director of the Company on 10 May 2006. On 29 June 2006, Ms. You was appointed Chairman of the Company. Ms. You graduated from (北京)對外經濟貿易大學 ((Beijing) University of International Business and Economic*) in Beijing, the People's Republic of China (the "PRC") with a higher diploma in International Trade in 1997 and obtained her master degree in Business Administration in 2002. She has worked in the marketing department of a company engaged in the operation of a trading website in the PRC for over two years and has been acting as the financial investment consultant of the same company for over five years. Ms. You was also a director and the general manager of an immigration consultancy company in New Zealand for over four years and the director of a garment trading company for over two years.

Mr. NG Khai Wain

Mr. NG Khai Wain, aged 45, was appointed as an Executive Director and the Chairman of Remuneration Committee of the Company on 10 May 2006. He was appointed the Chief Executive Officer on 29 June 2006. Mr. Ng was the deputy chairman and the general manager of a manufacturing company in Liaoyang City of Liaoning Province of the PRC which mainly engaged in the manufacturing of glass handicrafts and paper box since 1992. He also has over eight years of experience in sales and marketing in the PRC and the Macau Special Administrative Region of the PRC and was the deputy chairman and the general manager of a chemical product company in Tonghua City of Jilin Province, the PRC for over seven years.

Mr. YEUNG Kwok Leung

Mr. YEUNG Kwok Leung, aged 32, joined the Group in October 2005 and was appointed the Qualified Accountant of the Group on 2 November 2005. On 23 December 2005, he was appointed as an Executive Director of the Company. Mr. Yeung holds a Bachelor degree in Accountancy. He has over 10 years' experience in auditing, financial controlling, accounting, corporate development as well as business strategies. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Yeung is responsible for the financial and accounting functions of the Group.

* *for identification purpose only*

Independent Non-executive Directors

Mr. Albert HO

Mr. Albert HO, aged 48, was appointed as an Independent Non-Executive Director, the Chairman of Audit Committee as well as a member of the Remuneration Committee of the Company on 10 May 2006. Mr. Ho graduated from Macquarie University in Sydney, Australia with a Bachelor Degree in Economic in 1985 and obtained his master of Business Administration degree from the University of Hong Kong in 1991. He is a Certified Public Accountant and fellow member of the Association of Chartered Certified Accountants. He has extensive experience in financial and corporate management. Mr. Ho is currently an independent non-executive director of Jiuzhou Development Company Limited and Yu Ming Investments Limited, the shares of which are listed on the main board (the "Main Board") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Mr. Shane PHILLIPS

Mr. Shane PHILLIPS, aged 39, was appointed as an Independent Non-Executive Director and a member of the Audit Committee of the Company on 10 May 2006. Mr. Phillips obtained a Post Graduate Diploma in Business Management from Auckland University in New Zealand in 2002. He has over 12 years of experience in human resource development, recruitment and career planning. He also has been an executive officer of an organisation that held contracts with New Zealand's The Ministry of Health. He is currently a director of a consultancy company in New Zealand which is principally engaged in provision of government liaison services, contract management, property development and business consultation. Mr. Phillips is also a trustee of a large provider of facilities that cater for people with intellectual disabilities. This provider holds several contracts with New Zealand based government agencies.

Mr. CAI Zhixu

Mr. CAI Zhixu, aged 32, was appointed as an Independent Non-Executive Director, a member of the Audit Committee and the Remuneration Committee of the Company on 10 May 2006. Mr. Cai graduated from 廣州對外貿易學院 (Guangzhou Institute of Foreign Trade*), now known as 廣東外語外貿大學 (Guangdong University of Foreign Studies*), in Guangzhou, the PRC majoring in International Trade in 1995. He had been acting as the project director and manager in the finance and investment department of Jiuzhou Development Company Limited, the shares of which are listed on the Main Board of the Stock Exchange, and its holding company from end of 1995 to 2000. He has extensive experience in finance and investments. Since 1999, Mr. Cai has been acting as the managing director of a trading company engaging in the trading of construction materials and automobiles in Zhuhai City of Guangdong Province, the PRC.

* *for identification purpose only*

Biographical Details of Directors and Senior Management

Senior Management

Mr. LIN Hoi Kwong

Mr. LIN Hoi Kwong, aged 34, joined the Group in 2004. He is currently the General Manager of the Group. Mr. Lin holds a Bachelor Degree in Business Administration from the Thames Valley University, United Kingdom and a Master of Science Degree in Marketing from The National University of Ireland. He was an Executive Director of the Company during the period from December 2004 to October 2005. He worked at managerial level in several listed companies and has over ten years experience in corporate development and business strategies.

Mr. KONG Ming Fai, Manfred

Mr. KONG Ming Fai, Manfred, aged 31, joined the Group in 2002 as the Dealing Director of a subsidiary of the Group. He oversees the securities trading business and has over 9 years of experience in investment services business. Mr. Kong holds a Bachelor Degree in Business Administration and is a member of the Institute of Financial Planners of Hong Kong.

Mr. CHAN Chi Hung

Mr. CHAN Chi Hung, aged 45, joined the Group in 2006 as the Dealing Director of a subsidiary in the Group. He oversees the securities trading business and has over 21 years of experience in investment services business. Mr. Chan is an associate member of The Institute of Crisis and Risk Management.

Mr. HO Wai Hong

Mr. HO Wai Hong, aged 48, joined the Group in 2004 as the Assistant Project Manager of a subsidiary of the Company. He has over 21 years' experience in the field of electrical engineering in Hong Kong. Mr. Ho is responsible for overseeing projects undertaken by the Group. Mr. Ho is an Incorporated Engineer and an associate member of The Hong Kong Institution of Engineers.

Report of Directors

The directors present their annual report and the audited financial statements for the year ended 31 March 2006 of the Company and its subsidiaries ("the Group").

Principal Activities

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 50 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 31 March 2006 are set out in the consolidated income statement on page 36 of the annual report.

The directors do not recommend the payment of a dividend for the year ended 31 March 2006 (2005: HK$Nil).

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group and the Company during the year are set out in note 16 to the financial statements.

Share Capital

Details of movements in the share capital of the Company during the year are set out in note 38 to the financial statements.

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

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 40 to the financial statements.

Distributable Reserves

At 31 March 2006, the Company had no reserves available for distribution (2005: HK$101,208,000).

Report of Directors

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 112. This summary does not form part of the audited financial statements.

Share Option Scheme

Details of the share option schemes of the Company are set out in note 39 to the financial statements.

At 31 March 2006, the number of shares in respect of which options had been granted and remaining outstanding under share option schemes of the Company was 25,522,600 (2005:18,730,000), representing 5.5% (2005: 4.8%) of the shares of the Company in issue at that date.

A summary of the movements in the Company's share options during the year is as follows:

Option type	Outstanding at 1 April 2005	Granted during the year	Lapsed during the year	Outstanding at 31 March 2006
2002A	2,000,000	–	(2,000,000)	–
2003C	2,000,000	–	(2,000,000)	–
2003D	2,000,000	–	(2,000,000)	–
2004A	200,000	–	(200,000)	–
2004B	8,400,000	–	(2,000,000)	6,400,000
2004C	3,630,000	–	(1,000,000)	2,630,000
2005A	500,000	–	–	500,000
2006A	–	19,792,600	(3,800,000)	15,992,600
Total	18,730,000	19,792,600	(13,000,000)	25,522,600

Details of the share options held by the Directors during the year included in the above table are as follows:

For the year ended 31 March 2006

	Option type	Outstanding at 1 April 2005	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31 March 2006
Directors:						
Mr Hon Ming Kong (a)	2003D	2,000,000	–	(2,000,000)	–	–
	2004B	2,000,000	–	–	–	2,000,000
Mr Lee Yu Leung (b)	2002A	2,000,000	–	(2,000,000)	–	–
	2004B	2,000,000	–	–	–	2,000,000
Mr Lin Hoi Kwong (c)	2003C	2,000,000	–	(2,000,000)	–	–
		10,000,000	–	(6,000,000)	–	4,000,000

Note:

The share opinions including certain share options granted to three former directors of the Company.

(a) Mr. Hon Ming Kong waived 2,000,000 share options at an exercise price of HK$4.960 voluntarily on 9 August 2005. He resigned as a director of the Company on 31 October 2005 but remained as an employee of the Group.

(b) Mr. Lee Yu Leung waived 2,000,000 share options at an exercise price of HK$1.4944 voluntarily on 9 August 2005. He resigned as a director of the Company on 31 October 2005 but remained as an employee of the Group until 30 June 2006.

(c) These share options were held by the spouse of Mr. Lin Hoi Kwong, which he was deemed to be interested in. Mr. Lin Hoi Kwong was a director of the Company during the period from 6 December 2004 to 31 October 2005.

Share Option Scheme (Continued)

Details of specific categories of options are as follows:

Option type	Date of grant	Exercise period	Closing price immediately before/on the date of grant HK$	Exercise price per share HK$
2002A	1 February 2002	1 September 2002 – 31 August 2007	1.520	1.4944
2003C	3 May 2002	3 November 2002 – 2 November 2007	4.530	4.6200
2003D	14 May 2002	14 November 2002 – 13 November 2007	4.950	4.9600
2004A	28 July 2003	28 July 2003 – 27 July 2008	1.350	1.3500
2004B	27 August 2003	27 August 2003 – 26 August 2008	1.170	1.3060
2004C	16 January 2004	16 January 2004 – 15 January 2009	0.840	0.8520
2005A	1 April 2004	1 April 2004 – 31 March 2009	0.700	0.7000
2006A	2 August 2005	2 August 2005 to 1 August 2010	0.340	0.3520

Options which have been lapsed or are cancelled have been taken out of the register of outstanding options maintained by the Company.

Report of Directors

Directors

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

Executive Directors

YOU Wei *(Chairman)*	(appointed as an Executive Director on 10 May 2006 and as the Chairman on 29 June 2006)
NG Khai Wain *(Chief Executive Officer)*	(appointed as an Executive Director on 10 May 2006 and as Chief Executive Officer on 29 June 2006)
YEUNG Kwok Leung	(appointed on 23 December 2005)
SZETO Chak Wah, Michael, (alias SETO Chak Wah)	(appointed as the Chairman and an Executive Director on 26 October 2005 and resigned on 27 April 2006)
LAI Man Leung	(appointed on 26 October 2005 and resigned on 27 April 2006)
ZHAO Lin	(appointed on 5 July 2005 and resigned on 6 February 2006)
HON Ming Kong	(first appointed as an Executive Director on 25 April 2002, further appointed as Chairman during the period from 19 February 2003 to 26 November 2004, re-designated as an Non-Executive Director on 4 October 2005 and resigned on 31 October 2005)
CHAN Tat Chee	(first appointed as Chairman and an Executive Director on 26 November 2004, resigned as Chairman and re-designated as Non-Executive Director on 4 October 2005, resigned on 31 October 2005)
LEE Yu Leung	(appointed as an Executive Director on 1 February 2002, re-designated as Non-Executive Director on 4 October 2005 and resigned on 31 October 2005)
LIN Hoi Kwong	(appointed as an Executive Director on 6 December 2004, appointed as Chief Executive Officer on 4 October 2005 and resigned on 31 October 2005)
LOO Chung Keung, Steve	(appointed as an Independent Non-Executive Director on 28 September 2004, appointed as Chairman and re-designated an Executive Director on 4 October 2005, resigned on 26 October 2005)
Pascal TING	(appointed on 17 March 2004 and resigned on 22 July 2005)
CHEN Jun Nong	(appointed on 17 March 2004 and resigned on 6 May 2005)

Directors (Continued)

Non-Executive Director

LI Yong, Alfa	(appointed on 13 May 2004 and resigned on 22 September 2005)

Independent Non-Executive Directors

Albert HO	(appointed on 10 May 2006)
Shane PHILLIPS	(appointed on 10 May 2006)
CAI Zhixu	(appointed on 10 May 2006)
TSOI Wai Kwong	(appointed on 22 September 2003 and resigned on 10 May 2006)
AU Tin Fung	(appointed on 23 December 2005 and resigned on 10 May 2006)
LAW Mun Yee	(appointed on 2 November 2005 and resigned on 27 April 2006)
CHONG Yiu Kan, Sherman	(appointed on 23 December 2005 and resigned on 27 April 2006)
AU YEUNG Ka Cheung	(appointed on 24 March 2005 and resigned on 27 October 2005)
WONG Tik Tung	(appointed during the period from 23 January 2002 to 3 January 2003, re-appointed on 2 June 2005 and resigned on 30 September 2005)

In accordance with Article 99 of the Company's Articles of Association, each of Ms. YOU Wei, Mr. NG Khai Wain, Mr. YEUNG Kwok Leung, Mr. Albert HO, Mr. Shane PHILLIPS and Mr. CAI Zhixu will hold office as director of the Company until the conclusion of the forthcoming annual general meeting and they, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Independent Non-Executive Directors are subject to retirement by rotation. The Company has received from each Independent Non-Executive Director a confirmation of his independence pursuant to the new independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers the Independent Non-Executive Directors to be independent.

Directors' and senior management's biographies

Biography details of the Company and the senior management of the Group are set out on pages 8 to 10 of the annual report.

Report of Directors

Directors' Service Contracts

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Convertible Securities, Options, Warrants or Similar Rights

Other than those disclosed under "Share Option Scheme" above, the Company had no outstanding convertible securities, options, warrants or similar rights as at 31 March 2006 and there has been no other issue or exercise of any convertible securities, options, warrants or similar rights during the year.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 March 2006, the Directors of the Company and/or any of their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and Stock Exchange pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

Long position in the shares and underlying shares of the Company

Name of Director	Number of ordinary shares beneficially held and nature of interest Personal	 Corporate	Underlying Shares	Approximate percentage of total shareholding %
Tsoi Wai Kwong	174,000	–	–	0.04%

Note:

Mr. Tsoi Wai Kwong resigned as an Independent Non-Executive Director of the Company on 10 May 2006.

Other than as disclosed above and certain nominee shares in subsidiaries held by the Directors in trust for the Group, none of the Directors, or their associates, had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations (within the meaning of Part XV of SFO) which are required to be entered into the register kept by the Company pursuant to section 352 of the SFO or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code in the Listing Rules or under Division 7 and 8 of Part XV of the SFO.

Arrangements to Purchase Shares or Debentures

Other than options granted under the Company's share option scheme mentioned above, at no time during the year was the Company, or any of its subsidiaries a party to any arrangements to enable the Directors and the chief executive, their respective spouse or minor children (natural or adopted) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate under an arrangement to which the Company, any of its subsidiaries, holding company, or subsidiaries of the holding company (i.e. fellow subsidiaries) is a party, and the exercise of such rights.

Directors' Interests in Contracts of Significance

Save as disclosed in note 49 to the financial statements, no contracts of significance to which the Company, or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Interests in Competing Business

None of the Directors of the Company is interested in any business, which compete or is likely to compete either directly or indirectly, with the business of the Group.

Connected Transactions

Details of the connected transactions are set out in note 49 to the financial statements.

Substantial Shareholders' Interests

As at 31 March 2006, the register of substantial shareholders' interests in shares and short positions maintained under section 336 of the SFO showed that the Company had been notified of the following interests, being 5% or more held in the shares and underlying shares of the Company.

Long position in the shares of the Company:

Name of shareholders	Number of ordinary shares held	Approximate percentage of total shareholding %
Highworth Venture Limited *(Note a)*	72,900,000	15.71%
AWH Fund Ltd. *(Note b)*	27,366,000	5.90%

Notes:

(a) Highworth Venture Limited ("Highworth") is a company beneficially wholly owned as to 50% by each of Mr. Chan Tat Chee and Mr. Hon Ming Kong, the former Chairman and a former Executive Director of the Company, and therefore both Mr. Chan Tat Chee and Mr. Hon Ming Kong is deemed to be interested in the 72,900,000 shares held by Highworth by virtue of SFO. On 10 May 2006, Highworth entered into a sale and purchase agreement with Billion Boom Investments Limited ("BBIL"), pursuant to which (i) 63,900,000 shares of HK$0.10 each in the Company (representing approximately 13.77% of the Company's issued share capital) were sold to BBIL, which sale was completed on 10 May 2006 at a total consideration of HK$3 million; and (ii) a call option was granted at an option price of HK$1 in total by Highworth in favour of BBIL over 9,000,000 shares (representing approximately 1.94% of the Company's issued share capital) owned by Highworth (the share certificates in respect of which were reported to have been lost and the replacement certificates were being applied for). Under such agreement, BBIL may exercise the call option to acquire the entirety of 9,000,000 shares concerned at an exercise price of HK$1 in total. It is BBIL's intention to exercise such call option once the replacement certificates are obtained by Highworth.

(b) Based on the information provided by the Stock Exchange official website on 27 July 2006.

Save as disclosed above, as at 31 March 2006, the Directors are not aware of any other persons who have interests or short positions in the shares, underlying shares of equity derivatives or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would be required to be disclosed to the Company pursuant to Part XV of the SFO.

Report of Directors

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

Major Customers and Suppliers

During the year, the five largest customers of the Group accounted for about 52% of the turnover of the Group and the largest customer accounted for about 22% of the total turnover.

The five largest suppliers of the Group in aggregate accounted for about 69% of its purchases for the year. Purchases from the largest supplier accounted for about 48% of its purchases.

None of the directors, their respective associates, or any shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) has any interest in any of the five largest customers and the five largest suppliers of the Group for the financial year ended 31 March 2006.

Retirement Benefits Schemes

The Group strictly complies with the Mandatory Provident Fund Schemes Ordinance in making mandatory contributions for its staff.

Purchase, Sale or Redemption of Securities

The Company and its subsidiaries have not repurchased, sold or redeemed any of the Company's securities during the year.

Post Balance Sheet Events

Details of significant events which occurred after the balance sheet date are set out in note 52 to the financial statements.

Corporate Governance

The Company has, throughout the year ended 31 March 2006, complied with most of the applicable code provisions and principles of the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. Details of the Corporate Governance Report of the Company was set out on page 20 to 30 of this annual report.

Pre-emptive Rights

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

Litigation

As at 31 March 2006 there were no material contingent liabilities in respect of outstanding litigation or legal proceeding that need to be disclosed.

Model Code for Securities Transactions

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. Upon specific enquiry of the Company, Mr. Yeung Kwok Leung, a Director of the Company who was appointed during the year ended 31 March 2006, confirmed that he has complied with the Model Code for the year ended 31 March 2006. Except for Mr. Yeung, all other Directors of the Board were appointed after the year ended 31 March 2006 and all of them confirmed that they have complied with the Model Code since their appointment.

Audit Committee

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three Independent Non-Executive Directors of the Company. They have reviewed with management the accounting policies and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the audited financial statements for the year ended 31 March 2006.

Auditors

Horwath Hong Kong CPA Limited were appointed as auditors of the Company on 13 June 2006 to fill the casual vacancy created by the resignation of HLB Hodgson Impey Cheng on 18 May 2006.

HLB Hodgson Impey Cheng were appointed as auditors of the Company with effect from 25 November 2004.

A resolution for the appointment of Horwath Hong Kong CPA Limited as the auditors of the Company for the ensuing year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Ng Khai Wain
Chief Executive Officer

Hong Kong, 27 July 2006

Corporate Governance Report

With the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules (the "CG Code") coming into effect from 1 January 2005 to replace the then Appendix 14 of the Listing Rules, action has been taken by the Company to continue to raise the standard of its corporate governance. The Board of Directors is committed to maintaining good corporate governance standard and procedures which emphasize quality management, transparency and accountability to all shareholders. Saved as disclosed below, the Board is of the opinion that during the year under review, the Company has complied with the code provisions of the CG Code.

A. DIRECTORS

A.1 The Board

The Board assumed the responsibility for leadership and control of the Company. All Directors are collectively responsible for promoting the success of the Company by directing and supervising the affairs of the Company.

The Board is mainly accountable to the shareholders and is also in charge of the management, business, strategy, annual and interim results, risk management, major acquisitions, disposals and capital transactions and other major operation and financial aspects of the Group. Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual and interim accounts for board approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

Board meetings will be convened as and when necessary. Reasonable notices have been given to all the Directors generally prior to the meeting, except in case of emergency. Matters on transactions where Directors are considered having a conflict of interest or material interests would not be dealt with by way of written resolutions and a separate Board meeting shall be held where Independent Non-Executive Directors who have no material interests should be present at the meeting. Directors having a conflict of interest or material interests in a transaction before the meeting of the Board shall declare their interests therein in accordance with the articles of the Company, abstain from voting on the relevant resolutions and shall not be counted in the quorum present at that Board meeting.

Board meetings involve the active participation, either in person or through other electronic means of communication, of a majority of Directors. The Company Secretary assists the Chairman in preparing the meeting agenda, and each Director may request the inclusion of items in the agenda. Directors are also consulted to suggest matters to be included in the agenda for all meetings.

Minutes of the Board meetings are recorded in detail and draft minutes are circulated within a reasonable time after the meeting to all Directors for review and comments before being approved by the Board. All minutes of the meetings are properly kept by the Company Secretary and are available for inspection by the Directors during normal office hours.

During the period from 1 April 2005 up to the date of this report, a total of eighteen full Board meetings were held by the Company to discuss the Group's development strategies, investments projects, the operational and financial performance of the Group as well as other general issues on the affairs of the Group. The attendance of Directors to the number of Board meetings held during the year under review or during their tenure of services is as follows:–

		Attendance
Executive Directors		
You Wei *(Chairman)*	(appointed on 10 May 2006)	4/5
Ng Khai Wain *(Chief Executive Officer)*	(appointed on 10 May 2006)	3/5
Yeung Kwok Leung	(appointed on 23 December 2005)	10/10
Szeto Chak Wah, Michael	(appointed during the period from 26 October 2005 to 27 April 2006)	8/9
Lai Man Leung	(appointed during the period from 26 October 2005 to 27 April 2006)	8/9
Zhao Lin	(appointed during the period from 5 July 2005 to 6 February 2006)	0/12
Hon Ming Kong	(Resigned on 31 October 2005)	6/6
Chan Tat Chee	(Resigned on 31 October 2005)	3/6
Lee Yu Leung	(Resigned on 31 October 2005)	6/6
Lin Hoi Kwong	(Resigned on 31 October 2005)	6/6
Loo Chung Keung, Steve	(Resigned on 26 October 2005)	3/5
Ting Pascal	(Resigned on 22 July 2005)	0/1
Chen Jun Nong	(Resigned on 6 May 2005)	0/0

Corporate Governance Report

		Attendance
Non-Executive Directors		
Li Yong, Alfa	(Resigned on 22 September 2005)	0/1
Independent Non-Executive Directors		
Albert Ho	(appointed on 10 May 2006)	3/3
Shane Phillips	(appointed on 10 May 2006)	2/3
Cai Zhixu	(appointed on 10 May 2006)	3/3
Tsoi Wai Kwong	(resigned on 10 May 2006)	10/15
Au Tin Fung	(appointed during the period from 23 December 2005 to 10 May 2006)	5/5
Law Mun Yee	(appointed during the period from 2 November 2005 to 27 April 2006)	5/7
Chong Yiu Kan, Sherman	(appointed during the period from 23 December 2005 to 27 April 2006)	3/5
Au Yeung Ka Cheung	(appointed during the period from 24 March 2005 to 27 October 2005)	3/6
Wong Tik Tung	(re-appointed during the period from 2 June 2005 to 30 September 2005)	0/1

A.2 Chairman and Chief Executive Officer

The Company has segregated the roles of Chairman of the Board and Chief Executive Officer during the year ended 31 March 2006. The Chairman and the Chief Executive Officer have separation of power and duties, although the respective scope of duties and responsibilities have not been recorded in writing. It is the intention of the Board of Directors to adopt a written division of duties and responsibilities between Chairman of the Board and Chief Executive Officer, to clearly set out their respective roles. On 4 October 2005, Mr. Loo Chung Keung, Steve was appointed Chairman and Mr. Lin Hoi Kwong was appointed Chief Executive Officer of the Company. Mr. Loo and Mr. Lin resigned from their positions in the Company on 26 October 2005 and 31 October 2005, respectively. Since then, the Company has not appointed Chief Executive Officer until the appointment of Mr. Ng Khai Wain as a Chief Executive Officer on 29 June 2006. Mr. Szeto Chak Wah, Michael was appointed the Chairman during the period from 26 October 2005 to 27 April 2006. On 29 June 2006, Ms. You Wei was appointed the Chairman.

As the leader of the Board, Ms. You Wei is responsible for ensuring Board meetings are properly convened, conducted and constituted. She has to represent the Board between meetings, to make administrative decisions on behalf of the Board; to take whatever decisions that are delegated to her by the Board and to act as a conduit between the Board and the Chief Executive Officer. She also has to approve and supervise overall strategies and policies of the Group, business plans, evaluate the Company's performance and oversight the management as well as to perform any other duties as authorized by the Board from time to time.

Mr. Ng Khai Wain, being the Chief Executive Officer, acts as the highest-ranking executive in the Company. He is responsible for carrying out the policies of the Board on a day-to-day basis. He has the delegated power to manage the Company and to oversee the activities of the Company on a day-to-day basis. He meets and briefs the Chairman regularly, regarding strategic and emerging issues, current and projected performance highlights, any shareholder feedback or comments and any issue likely to have an effect on the organization internally or in the public eye.

A.3 Board composition

The Board currently comprises six Directors, including three Executive Directors and three Independent Non-Executive Directors. The current composition of the Board is as follows:

Executive Directors	
You Wei *(Chairman)*	
Ng Khai Wain *(Chief Executive Officer)*	Chairman of the Remuneration Committee
Yeung Kwok Leung	
Independent Non-Executive Directors	
Albert Ho	Chairman of the Audit Committee Member of the Remuneration Committee
Shane Phillips	Member of the Audit Committee
Cai Zhixu	Member of the Remuneration Committee Member of the Audit Committee

The Board fulfilled the requirement under rules 3.10(1) and (2) of the Listing Rules. It has three Independent Non-Executive Directors and has an Independent Non-Executive Director with appropriate professional accounting or financial management expertise. Mr. Albert Ho is a Certified Public Accountant and fellow member of the Association of Chartered Certified Accountants. He has extensive experience in financial and corporate management. All Independent Non-Executive Directors have appropriate and sufficient experience and qualification to carry out their duties so as to fully represent the interests of the shareholders.

Corporate Governance Report

The Company has received annual confirmations of independence from all Independent Non-Executive Directors and as at the date of this report still considers them to be independent.

The Board members do not have any family, financial or business relations with each other. Details of backgrounds and qualifications of the Chairman, the Chief Executive Officer and other Directors are set out on pages 8 to 10. The list of Directors is disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

A.4 Appointment, re-election and removal of directors

Under article 116 of the Articles of Association of the Company (the "Articles"), at each annual general meeting, one-third of the Directors (other than the Managing Director or Joint Managing Director) for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not exceeding, one-third, shall retire from office by rotation. It is also provided in article 116 that the Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot, but the Directors were not required to retire by rotation at least once every three years.

Article 99 of the Articles provides that any Director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting provided that any Director who so retires shall not be taken into account in determining the number of Directors who are to retire at such meeting by rotation.

Since the Board follows a formal, considered and transparent procedure for the appointment of new directors. The Board has not established a Nomination Committee for reviewing new appointments of directors, senior executives as well as management succession plans for executive directors and senior executives. The appointment of a new director is a collective decision of the Board, taking into consideration the candidate's qualification, expertise, experience, integrity and commitment to his/her responsibilities within the Group. As such, the Board do not consider that any committee should be formed. In addition, all candidates to be selected and appointed as a director must be able to meet the standards set out in Rules 3.08 and 3.09 of the Listing Rules. A candidate who is to be appointed as an independent non-executive director must also meet the independence criteria set out in Rule 3.13 of the Listing Rules.

During the year under review, the Board underwent a series of changes. The appointment of each newly appointed Directors has been properly approved by the Board.

A.5 Responsibilities of Directors

Each newly appointed Director is provided with a package of orientation materials setting out the required duties and responsibilities of Directors under the Listing Rules and other relevant statutory requirements of Hong Kong. An orientation as to a Director's duties and obligations under the Listing Rules and relevant legislations will be arranged for all newly appointed Directors. Our Directors are kept informed from time to time on the latest development of any changes to the regulatory requirements and the progress of compliance of applicable rules and regulations by the Company. Our Directors will also be updated from time to time on the business development and operation plans of the Company. All our Directors are encouraged to participate in continuing professional development seminars and/or courses to update their skills and knowledge on the latest development or changes in the relevant statues, Listing Rules and corporate governance practices.

Every Director is aware that he should give sufficient time and attention to the affairs of the Company.

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding Directors' securities transactions. Upon specific enquiry of the Company, Mr. Yeung Kwok Leung, a Director of the Company who was appointed during the year ended 31 March 2006, confirmed that he has complied with the Model Code for the year ended 31 March 2006. Except for Mr. Yeung, all other Directors of the Board were appointed after the year ended 31 March 2006 and all of them confirmed that they have complied with the Model Code since appointment.

A.6 Supply of and access to information

In respect of regular Board meetings, and so far as practicable in all other cases, an agenda and accompanying board papers are sent in full to all Directors in a timely manner as permitted under the circumstances. Prior notices of at least two (2) days in advance have been given to all Directors for Board meetings except in the case of emergency.

Members of the management have been reminded by the Company Secretary that they have an obligation to supply the Board and the board committees with adequate information on a timely basis to enable each of them to make informed decisions. The Board and each Director have separate and independent access to the Group's senior management.

All Directors are entitled to have access to Board papers, minutes and related materials.

Corporate Governance Report

B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

B.1 The level of remuneration and disclosure

The Remuneration Committee was established on 20 October 2005 in accordance with the CG Code but its terms of reference are still being prepared. During the year under review, the Remuneration Committee met three times. The existing members of the Remuneration Committee comprise Mr. Ng Khai Wain, the Chief Executive Officer and two independent non-executive Directors, Mr. Albert Ho and Mr. Cai Zhixu. Mr. Ng Khai Wain is the Chairman of the Remuneration Committee. All of them were appointed on 10 May 2006.

The Remuneration Committee is responsible for making recommendations to the Board regarding the Group's policy and structure for all remuneration packages of Directors and senior management. The attendance of individual member to the number of Remuneration Committee meetings held since its establishment or during their tenure of services is as follows:-

	Number of meeting(s)
Mr. Ng Khai Wain	1/1
Mr. Albert Ho	1/1
Mr. Cai Zhixu	1/1
Ms. Law Mun Yee	2/2
Mr. Tsoi Wai Kwong	3/3
Mr. Au Tin Fung	1/1
Mr. Chong Yiu Kan, Sherman	1/1
Mr. Au Yeung Ka Cheung	1/1
Mr. Lin Hoi Kwong	1/2

Full minutes of the Remuneration Committee meetings are kept by the Company Secretary. Draft and final versions of the minutes of the Remuneration Committee meetings are sent to all members of the Remuneration Committee for comments and approval.

C. ACCOUNTABILITY AND AUDIT

C.1 Financial reporting

Management shall provide such explanation and information to the Board as will enable the Board to make an informed assessment of the financial and other matters put before the Board for approval.

The Directors are responsible for overseeing all financial aspects of the Company and for keeping proper accounting records and preparing accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period.

The Board is accountable to its shareholders for a clear and balanced assessment of the Company's financial position and prospects. In this regard, the Directors are responsible for presenting a balanced, clear and understandable assessment to annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

Financial results of the Group are announced in a timely manner in accordance with all statutory requirements, particularly the timeframe stipulated in Rule 13.49(1) and (6) of the Listing Rules.

As HLB Hodgson Impey Cheng ("HLB") resigned as auditors of the Company on 18 May 2006, the Company appointed Horwath Hong Kong CPA Limited ("Horwath") on 13 June 2006 to fill the casual vacancy created by HLB.

During the year, the remuneration of audit services provided by Horwath and non-audit services provided by HLB is set out as follows:

Annual Audit Fees	**Fees paid/payable** (HK$'000)
Audit services	
Horwath	650
Non-Audit services	
HLB	
Accountants' Report on proposed acquisition of an investment	300
Accountants' Report on disposal of a subsidiary	160
Total:	1,110

The statement of the Auditors about their reporting responsibilities on the financial statements of the Group is set out on pages 31 to 35 of the Annual Report.

Corporate Governance Report

C.2 Internal controls

The Board is entrusted with an overall responsibility of devising the Company's system of internal controls and conducting an annual review of its effectiveness. This ensures that the Board oversees and monitors the Group's overall financial position so that the interests of the shareholders are well protected and covered. The system of internal controls covers the areas of financial, operational, compliance and risk management of the Group's business.

C.3 Audit Committee

The Company has an Audit Committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee currently comprises Mr. Albert Ho, Mr. Shane Phillips and Mr. Cai Zhixu, all of whom are Independent Non-Executive Directors of the Company. Mr. Albert Ho is the Chairman of the Audit Committee. All current Audit Committee members were appointed on 10 May 2006.

During the period from 1 April 2005 up to the date of this report, the Audit Committee met on five (5) occasions and discharged its responsibilities. Attendance of individual member at Audit Committee meeting during the year or their tenure of services:–

	Attendance/ Number of meeting(s)
Albert Ho	3/3
Shane Phillips	2/3
Cai Zhixu	3/3
Tsoi Wai Kwong	2/2
Au Tin Fung	1/1
Law Mun Yee	1/1
Chong Yiu Kan, Sherman	1/1
Loo Chung Keung, Steve	1/1
Au Yeung Ka Cheung	1/1
Wong Tik Tung	1/1

The principal duties of the Audit Committee included reviewing the Company's financial controls, internal control and risk management system, annual report and accounts and half-year report.

Full minutes of the Audit Committee meetings are kept by the Company Secretary. Draft and final versions of the minutes of the Audit Committee meetings are sent to all members of the Audit Committee for comments and approval.

With the amendment of the Listing Rules which came into effect on 31 March 2004 and the introduction of the CG Code effective 1 January 2005, the Company is in the course of revising the then Terms of Reference of the Audit Committee.

The financial statements of this year has been reviewed by the Audit Committee.

D. DELEGATION BY THE BOARD

D.1 Management functions

In general, the Board oversees the Company's strategic development and determines the objectives, strategies and policies of the Group. The Board also monitors and controls operating and financial performance and sets appropriate policies for risk management in pursuit of the Group's strategic objectives. The Board delegates the implementation of strategies and day-to-day operation of the Group to the management.

D.2 Board committees

Apart from the Audit Committee (as described under paragraph C.3) and the Remuneration Committee (as described under paragraph B.1), the Board has established a Management Committee and a Special Board Committee on 4 October 2005 and 31 October 2005, respectively.

The Management Committee, comprising Mr. Loo Chung Keung, Steve, Mr. Lin Hoi Kwong and Mr. Kam Yiu Shing, Tony, was formed to carry out the management function of the Board and to oversee and supervise the daily operation of the Company. It was dissolved on 31 October 2005.

The Management Committee, comprising Mr. Szeto Chak Wah, Michael and Mr. Lai Man Leung, was formed to review the existing financial and business positions of the Group. It was dissolved on 29 June 2006.

Though there are no specific written terms of reference for these board committees but their respective goals, duties and responsibilities have been discussed at the relevant Board of Directors' meetings and have been appropriately recorded.

Corporate Governance Report

E. COMMUNICATION WITH SHAREHOLDERS

E.1 Effective communication

The Company attaches great importance to communications with shareholders. Information on the Group's activities, business, strategies and developments is provided in the Company's annual reports, interim reports as well as announcements. Shareholders of the Company are encouraged to attend the annual general meetings of the Company which offer a valuable forum for dialogue and interaction with management.

At the 2005 annual general meeting, a separate resolution was proposed by the Chairman in respect of each issue to be considered by the meeting, including the re-election of Directors. At the forthcoming annual general meeting to be held on 25 August 2006, a separate resolution will be proposed by the Chairman in respect of each issue to be considered at that annual general meeting, including the re-election of Directors.

The Chairman of the Board, the Chairman of the Audit Committee and the Chairman of the Remuneration Committee, or in their absence, another member of the relevant committee or any other appointed representatives, shall attend the forthcoming annual general meeting to answer questions of shareholders.

E.2 Voting by poll

The procedures for demanding a poll by the shareholders were incorporated in all circulars sent to shareholders and will be explained during the proceedings of meetings. Whenever voting by way of a poll is required, the detailed procedures for conducting a poll will be explained. Poll results will be published in newspapers on the business day following the shareholders' meetings and posted on the website of the Stock Exchange.

Report of the Auditors

TO THE SHAREHOLDERS OF CHINA CONSERVATIONAL POWER HOLDINGS LIMITED
（中國環保電力控股有限公司）
(Incorporated in Cayman Islands with limited liability)

We have audited the financial statements on pages 36 to 111 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of Directors and Auditors

The Directors of the Company 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 statements and to report our opinion solely to you, as a body, 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 Standard on Auditing issued by the Hong Kong Institute of Certified Public Accountants, except the scope of our work was limited as explained below.

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 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. However, the evidence available to us was limited because of the following matters:

1. As more fully explained in note 3(a)(ii) to the financial statements, there were several changes to the board of directors of the Company during the year and subsequent to the year ended 31 March 2006. Although the present Board of Directors have represented that they have taken due care in the preparation of the financial statements, the present Board is unable to give representation as to the completeness of the books and records of the Group during the year ended 31 March 2006. The present Board of Directors is unable to represent that all transactions entered into under the name of the Company and its subsidiaries during the year ended 31 March 2006 have been properly included in the financial statements. Accordingly, we have been unable to obtain full representations from the Directors for the purpose of our audit.

Report of the Auditors

Basis of opinion (Continued)

2. Hong Kong Standard on Auditing 510 "Initial Engagement – Opening Balances" issued by HKICPA requires the auditors to obtain sufficient audit evidence that opening balances do not contain material misstatements which affect the financial statements of the current year. We have considered the adequacy of the disclosures made in the financial statements concerning losses incurred by the Group in connection with:

   (a) an impairment loss in the amount of approximately HK$467,000 against interests in associates of the Group;

   (b) an impairment loss in the amount of approximately HK$69,187,000 against loans receivable and accrued interest of the Group (see paragraph 7 below); and

   (c) an impairment loss in the amount of approximately HK$25,000,000 against investment deposits made by the Group (see paragraph 9 below).

   The above impairment losses have been recorded in the current year but may well relate, in full or in part, to and should have been recorded in prior years. It was not possible for us to perform auditing procedures necessary to obtain sufficient appropriate audit evidence concerning these impairment losses in the year ended 31 March 2006 and to determine whether or not the related assets were fairly stated in preceding year's financial statements. Accordingly, we were unable to verify whether or not comparative figures as at 31 March 2005 are fairly stated.

3. As disclosed in note 20 to the financial statements, the following amounts in respect of the Group's associates have been included in the financial statements:

   (a) share of results of associates of HK$Nil included in the consolidated profit and loss account for the year ended 31 March 2006; and

   (b) interests in associates of approximately HK$Nil included in the consolidated balance sheet as at 31 March 2006.

   The above amounts were either based on the unaudited management accounts or fragmented financial information of the associates which were available to the Directors. Accordingly, we are unable to obtain sufficient information and explanations to satisfy ourselves that such amounts are fairly stated in the financial statements.

4. As disclosed in note 21 to the financial statements, financial statements or financial information of the joint venture are not available to the Directors. Accordingly we have been unable to obtain sufficient information and explanations to satisfy ourselves that interest in the joint venture of HK$Nil is fairly stated in the financial statements.

Basis of opinion (Continued)

5. As more fully disclosed in note 50(c) to the financial statements, the underlying books and records of 北京易行商盟在線網絡技術有限公司 ("北京易行"), one of the Company's subsidiaries, located in the PRC, have not been made available to the Directors. Consequently, the Directors have consolidated 北京易行 based on its unaudited financial information for the year ended 31 March 2006. We have been unable to obtain sufficient information and explanations to satisfy ourselves as to:

   (a) the reliability of the results in respect of 北京易行 during the year ended 31 March 2006 and the related balances of assets and liabilities at 31 March 2006; and

   (b) the correctness of the indirect shareholding of the Company in 北京易行 as set out in note 50 (c) to the financial statements as at 31 March 2006 and whether or not it is appropriate to consolidate the results of this Company.

   In particular, we have been unable to perform any satisfactory audit procedures to substantiate the transactions entered into by 北京易行 during the year and the assets and liabilities of 北京易行 as at 31 March 2006, and to determine as to whether or not all appropriate disclosures have been included in the financial statements in accordance with the disclosure requirements of the Hong Kong Companies Ordinance and the Hong Kong Financial Reporting Standards.

6. As disclosed in note 25 to the financial statements, investments held for trading of the Group of approximately HK$66,580,000 as at the 31 March 2006, before impairment provision, were valued by a professional firm of independent valuers at a fair value of approximately HK$38,816,000 as at the same date. The valuation assumed that the investee company will be able to continue to carry on business as a going concern. However, we have been unable to carry out the necessary audit procedures to satisfy ourselves that the investee company, which is listed on the Stock Exchange of Hong Kong and currently has its shares suspended for trading, will be able to continue to carry on business as a going concern. As a result of this uncertainty, we are unable to satisfy ourselves as to whether or not the impairment provision of HK$27,764,000 based on the valuation is adequate or the resulting carrying value of investments held for trading of HK$38,816,000 as at 31 March 2006 is fairly stated.

7. As disclosed in note 32 to the financial statements, full provision of HK$69,187,000 was made in the year for certain loans receivable and interests thereon of a number of group companies. Based on our observation, these loans were made to borrowers without any securities or guarantees. We have not sighted any clear documentary evidence that proper approval or due diligence procedures had been carried out prior to the granting of these loans. We are unable to ascertain the commercial substance and validity of these transactions and the recoverability of these loans. Accordingly, we are unable to ascertain the carrying value of these receivables and whether or not it is appropriate to fully provide for them.

Report of the Auditors

Basis of opinion (Continued)

8. As disclosed in note 45 to the financial statements, audited financial statements of the subsidiaries Hong Tong Hai Investments Limited and Dongguan China Science Conservational Power Co., Limited were not available at the time of their of disposal in July 2005. We have been unable to carry out audit procedures to ascertain the assets and liabilities of these companies at the time of disposal. Accordingly, we are unable to satisfy ourselves that the gain on disposal of subsidiaries of approximately HK$25,927,000 is fairly stated.

9. As disclosed in notes 34(a) and (c) to the financial statements, full provision of approximately HK$25,000,000 was made in the year for certain investment deposits. We have been unable to obtain the necessary evidence and explanations as to why these deposits are regarded as irrecoverable and have to be fully provided for. We are unable to ascertain the commercial substance and validity of these investment deposits and the circumstances in which they were paid.

10. As disclosed in note 7 to the financial statements, included in other operating income is a receipt of approximately HK$3,000,000 related to an irrecoverable prepayment taken over from Hong Tai Hai Investment Limited, a former subsidiary which was disposed of in July 2005. We have been unable to obtain sufficient documentary evidence and explanations as to the nature of this cash receipt and the identity of the payee. Accordingly, we are unable to satisfy ourselves that it is correct to account for the receipt as other operating income.

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.

Fundamental uncertainty relating to the going concern

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the basis of preparation of financial statements made by the Directors. As explained in note 3(a)(iii) to the financial statements, the Group sustained a net loss for the year of HK$131,251,000. Net current assets and total equity only amounted to HK$38,674,000 and HK$40,056,000 respectively as at 31 March 2006 which included investments held for trading of HK$38,816,000. As explained in paragraph 6 above, we are unable to satisfy ourselves as to whether or not the carrying value of investments held for trading are fairly stated. The financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of a substantial shareholder who has agreed to provide funds to finance the working capital requirements of the Group.

We consider that the circumstances relating to the above fundamental uncertainty have been adequately accounted for and disclosed in the financial statement and our opinion is not qualified in these respect.

Disclaimer of opinion

Because of the significance of the possible effects of the scope limitations in evidence available to us as referred to in the basis of opinion section of the report, we are unable to form an opinion as to whether 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. In all other respects, in our opinion, the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

In respect alone of the limitations on our work set out in the basis of opinion section of this report:

– we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and

– we were unable to determine whether proper books of accounts have been kept.

HORWATH HONG KONG CPA LIMITED
Certified Public Accountants

2001 Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Shiu Hong Ng
Practising Certificate number P03752

Consolidated Income Statement

For the year ended 31 March 2006

	Notes	2006 HK$'000	2005 HK$'000
Turnover	5	29,690	102,427
Cost of sales		(21,687)	(91,361)
Gross profit		8,003	11,066
Other operating income	7	4,720	3,912
Selling expenses		(50)	(151)
Administrative expenses		(42,427)	(51,404)
Unrealised losses on listed investments		–	(68)
Loss on disposal of listed investments		–	(4,753)
Provision for doubtful debts		(2,562)	(8,567)
Impairment losses	8	(122,418)	(40,791)
Loss from operations	9	(154,734)	(90,756)
Finance costs	12	(2,285)	(394)
Share of results of associates		–	(3,596)
Gain on disposal of subsidiaries		25,927	595
Share of result of a joint venture		–	(2,601)
Loss before taxation		(131,092)	(96,752)
Taxation	13	(159)	(36)
Net loss for the year		(131,251)	(96,788)
Attributable to:			
Equity holders of the parent		(131,251)	(94,376)
Minority interests		–	(2,412)
		(131,251)	(96,788)
Dividends	14	–	–
Loss per share	15		
– basic		(28.5 cents)	(27.9 cents)
– diluted		N/A	N/A

The notes on pages 43 to 111 form part of these financial statements.

Consolidated Balance Sheet

At 31 March 2006

	Notes	2006 HK$'000	2005 HK$'000
Non-current assets			
Property, plant and equipment	16	1,850	7,297
Construction in progress	18	–	31,890
Interests in associates	20	–	2,467
Intangible assets	22	251	502
Other assets	23	205	205
Investments in securities	24	–	80
Retention money receivables	26	1,109	5,270
Deposits		–	78,427
		3,415	126,138
Current assets			
Investments held for trading	25	38,816	–
Inventories	29	252	472
Amounts due from customers for contract work	30	657	4,984
Progress payments receivable	31	209	2,242
Retention money receivables	26	4,135	932
Loans receivable	32	9,438	58,580
Amounts due from associates		12	42
Accounts receivable	33	12,156	1,368
Prepayments, deposits and other receivables		3,681	6,390
Investment deposits	34	–	30,000
Taxation recoverable		272	272
Pledged bank deposits	47	2,063	2,007
Fixed deposits		1,599	–
Bank balances and cash		16,045	11,296
		89,335	118,585
Current liabilities			
Retention money payables	27	447	756
Accounts payable, other payables and accrued charges	28	32,436	38,760
Loans payable		320	–
Amounts due to associates		–	2,940
Amount due to a related company		890	–
Bills payable		91	557
Taxation payable		386	227
Obligations under finance leases	35	275	405
Bank overdraft (secured)	36	4,098	9,397
Other borrowings	37	11,718	–
		50,661	53,042
Net current assets		38,674	65,543
Total assets less current liabilities carried forward		42,089	191,681

Consolidated Balance Sheet

At 31 March 2006

	Notes	2006 HK$'000	2005 HK$'000
Total assets less current liabilities brought forward		**42,089**	191,681
Non-current liabilities			
Obligations under finance leases	*35*	**646**	921
Retention money payables	*27*	**1,385**	1,659
Deferred taxation	*46*	**2**	2
		2,033	2,582
Net assets		**40,056**	189,099
Equity			
Share capital	*38*	**46,407**	38,672
Reserves		**(6,351)**	101,265
Equity attributable to equity holders of the parent		**40,056**	139,937
Minority interests		**–**	49,162
Total equity		**40,056**	189,099

These financial statements were approved and authorised for issue by the board of directors on 27 July 2006.

YOU Wei
Executive Director

YEUNG Kwok Leung
Executive Director

The notes on pages 43 to 111 form part of these financial statements.

Balance Sheet

At 31 March 2006

	Notes	2006 HK$'000	2005 HK$'000
Non-current assets			
Property, plant and equipment	16	23	62
Interests in subsidiaries	17	2,127	140,848
		2,150	140,910
Current assets			
Investments held for trading	25	38,756	–
Prepayments, deposits and other receivables		15	16
Bank balances and cash		111	2
		38,882	18
Current liabilities			
Other payables and accrued charges		976	1,048
Net current assets (liabilities)		37,906	(1,030)
Net assets		40,056	139,880
Equity			
Share capital	38	46,407	38,672
Reserves	40	(6,351)	101,208
Total equity		40,056	139,880

These financial statements were approved and authorised for issue by the board of directors on 27 July 2006.

YOU Wei
Executive Director

YEUNG Kwok Leung
Executive Director

The notes on pages 43 to 111 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2006

	Reserves									
	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Special reserve HK$'000 Note (a)	Capital reserve HK$'000 Note (b)	Translation reserve HK$'000	Accumu-lated losses HK$'000	Attributable to equity holders of the Company HK$'000	Minority interests HK$'000 Note (c)	Total HK$'000
At 1 April 2004	32,227	202,790	–	13,524	1,848	(37)	(30,952)	219,400	247	219,647
Issue of new shares	6,445	8,379	–	–	–	–	–	14,824	–	14,824
Share issue expenses	–	(379)	–	–	–	–	–	(379)	–	(379)
Exchange difference arising on translation of financial statements of operations outside Hong Kong not recognised in the consolidated income statement	–	–	–	–	–	468	–	468	–	468
Net loss for the year	–	–	–	–	–	–	(94,376)	(94,376)	48,915	(45,461)
Total income and expenses for the year	–	–	–	–	–	468	(94,376)	(93,908)	48,915	(44,993)
At 31 March 2005	38,672	210,790	–	13,524	1,848	431	(125,328)	139,937	49,162	189,099
Issue of new shares	7,735	23,174	–	–	–	–	–	30,909	–	30,909
Share issue expenses	–	(780)	–	–	–	–	–	(780)	–	(780)
Disposal of subsidiaries	–	–	–	–	15	(468)	–	(453)	(49,162)	(49,615)
Equity settled share-based transactions	–	–	1,694	–	–	–	–	1,694	–	1,694
Net loss for the year	–	–	–	–	–	–	(131,251)	(131,251)	–	(131,251)
Balance at 31 March 2006	**46,407**	**233,184**	**1,694**	**13,524**	**1,863**	**(37)**	**(256,579)**	**40,056**	**–**	**40,056**

Notes:

(a) The special reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the Company's shares issued for the acquisition under the corporate reorganisation of the Group.

(b) The capital reserve represents the contributions made by the then controlling shareholder under the corporate reorganisation of the Group.

(c) The minority interests as at 31 March 2005 represented the interest of minority shareholders in subsidiaries which had been disposed of during the year.

The notes on pages 43 to 111 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2006

	Notes	2006 HK$'000	2005 HK$'000
Operating activities			
Loss before taxation		(131,092)	(96,752)
Adjustments for:			
Impairment loss recognised in respect of goodwill		–	7,737
Impairment loss recognised in respect of unlisted investments		–	10,700
Impairment loss recognised in respect of investment deposits		25,000	–
Impairment loss recognised in respect of investments held for trading		27,764	–
Impairment loss recognised in respect of loan, margin and loan interest receivables		69,187	–
Unrealised losses on listed investments		–	68
Depreciation		3,147	3,460
Interest income		(902)	(2,295)
Interest expense		2,245	365
Interest on obligations under finance leases		40	29
Provision for doubtful debts		2,562	8,567
Bad debts written off		315	–
Gain on investments held for trading		(269)	–
Gain on disposal of subsidiaries	45	(25,927)	(595)
Loss on disposal of property, plant and equipment		1,835	737
Loss on disposal of listed investments		–	4,753
Motor vehicle expenses settled through finance lease		–	6
Share of results of associates		–	3,596
Share of result of a joint venture		–	2,601
Amortisation of goodwill		–	360
Amortisation of intangible asset		251	251
Provision for obsolete inventories		13	115
Provision for amount due from an investee company		–	5,995
Provision for amount due from an associate		467	22,354
Equity-settled share-based payment		1,694	–
Operating cash outflows before movements in working capital		(23,670)	(27,948)
Decrease in inventories		207	600
Decrease in amounts due from customers for contract work		4,327	3,722
Decrease in progress payments receivable		2,033	8,974
Decrease in retention money receivables		958	3,141
Decrease in development rights		–	3,000
(Increase) decrease in accounts receivable		(13,665)	18,633
Decrease in amounts due from minority interests		–	490
(Increase) decrease in prepayments, deposits and other receivables		(7,332)	18,301
Increase in amount due from an associate		2,030	(13)
Decrease in retention money payables		(583)	(1,045)
Increase (decrease) in accounts payable, other payables and accrued charges		15,508	(13,771)
Increase in amounts due to associates		(2,940)	860
Increase in amount due to a related company		890	–
(Decrease) increase in bills payable		(466)	482
Cash from (used in) generated from operations		(22,703)	15,426
Interest received		902	2,295
Interest paid		(2,245)	(365)
Interest on obligations under finance leases		(40)	(29)
Hong Kong Profits Tax paid		–	(559)
Net cash (used in) generated from operating activities		(24,086)	16,768

Consolidated Cash Flow Statement

For the year ended 31 March 2006

	Notes	2006 HK$'000	2005 HK$'000
Investing activities			
Purchase of property, plant and equipment		(233)	(1,689)
Purchase of subsidiaries		–	(539)
Purchase of investments held for trading		(5,942)	–
Investments in associates		–	(6,769)
Refund of other assets		–	165
Refund of investment deposits		25,000	–
Payment of investment deposits		(20,000)	(6,000)
Deposits paid for construction in progress		–	(78,427)
Placement of pledged bank deposits		(56)	–
Pledged bank deposits released		–	2,005
Increase in loans receivable		(20,045)	(2,835)
Increase in loans payable		320	–
Proceeds from disposal of property, plant and equipment		120	943
Proceeds from disposal of listed investments		15,711	11,759
Disposal of subsidiaries	45	(584)	4
Payment of construction in progress		–	(31,890)
Net cash used in investing activities		(5,709)	(113,273)
Financing activities			
Proceeds on issue of ordinary shares, net of issue expenses		30,129	14,445
New borrowings obtained		20,000	–
Repayment of other borrowings		(8,282)	–
Repayment of obligations under finance leases		(405)	(339)
Contribution from minority shareholders		–	51,213
Net cash generated from financing activities		41,442	65,319
Increase (decrease) in cash and cash equivalents		11,647	(31,186)
Cash and cash equivalents at the beginning of the year		1,899	32,617
Effect of foreign exchange rate changes		–	468
Cash and cash equivalents at the end of the year		13,546	1,899
Analysis of the balance of cash and cash equivalents			
Bank balances and cash		16,045	11,296
Fixed deposits		1,599	–
Bank overdrafts (secured)		(4,098)	(9,397)
		13,546	1,899

The notes on pages 43 to 111 form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 March 2006

1. Organisation and operations

China Conservational Power Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands. Its registered office and principal place of business are located at P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies and at 1702-3, 17th Floor, Skyline Commercial Centre, 71-77 Wing Lok Street, Sheung Wan, Hong Kong respectively.

The Group engages in electrical engineering contracting, trading of electrical equipment and materials, investment holding, securities brokerage and financing, company secretarial services and sea freight forwarding services. The Group operates primarily in Hong Kong. The Company is an investment holding company. The activities of the subsidiaries are set out in note 50 to the financial statements. The Company's shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

On 29 September 2005, the Independent Commission against Corruption (the "ICAC") issued a press release in relation to the arrest of 22 individuals for alleged corruption over the misappropriation of funds from listed companies and it was subsequently mentioned in certain press articles that several former Directors of the Company had been arrested. Certain records and documents of the Group have been seized by the ICAC for the purpose of investigation. The Company's shares have been suspended for trading on the Stock Exchange since 29 September 2005. Further details are set out in note 53.

2. Adoption of new and revised Hong Kong Financial Reporting Standards

In the current year, the Group has adopted for the first time a number of the new and revised Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") (collectively "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are relevant to its operations and effective for accounting periods beginning on or after 1 January 2005. The applicable HKFRSs are set out below.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 11	Construction Contracts
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenues
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements

2. Adoption of new and revised Hong Kong Financial Reporting Standards (Continued)

HKAS 28	Investments in Associates
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKAS-Int 15	Operating Lease-Incentives

The effects of the adoption of these HKFRSs on the Group's accounting policies and on amount disclosed in the financial statements are summarised as follows:

(i) HKAS 1 has affected the presentation of minority interest, share of net after tax results of associates and joint venture and other disclosures.

(ii) HKASs 2, 7, 8, 10, 11, 12, 14, 16, 17, 18, 19, 23, 27, 28, 31, 33, 36, 37, 38 and HKAS-Int 15 had no material effect on the Group's policies.

(iii) HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance of the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements.

(iv) HKAS 24 has affected the identification of related parties and some other related party disclosures.

(v) Share option scheme (HKFRS 2, Share-based payment)

In prior years, no amounts were recognised when option holders were granted share options over shares in the Company. If the option holders chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the option's exercise price receivable.

With effect from 1 April 2005, in order to comply with HKFRS 2, the Group recognises the fair value of share options as an expense in the income, or as an asset, if the cost qualifies for recognition as an asset under the group accounting policies. A corresponding increase is recognised in share option reserve within equity.

2. Adoption of new and revised Hong Kong Financial Reporting Standards (Continued)

(v) Share option scheme (HKFRS 2, Share-based payment) (Continued)

Where the option holders are required to meet vesting conditions before they become entitled to the options, the Group recognises the fair value of the options granted over the vesting period. Otherwise, the Group recognises the fair value in the period in which the options are granted.

If an option holder chooses to exercise options, the related share option reserve is transferred to share capital and share premium, together with the exercise price. If the options lapse unexercised the related capital reserve is transferred directly to retained profits.

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

(i) all options granted to option holders on or before 7 November 2002; and

(ii) all options granted to option holders after 7 November 2002 but which had vested before 1 January 2005.

As all the Group's options were granted to option holders before 7 November 2002 and had been fully vested on 1 January 2005, the adoption of HKFRS 2 has no impact on the Group's net assets and results for the prior years.

The amount charged to the income statement as a result of the change of policy increased administrative expenses for the year ended 31 March 2006 by HK$1,694,000 with the corresponding amounts credited to the share option reserve.

Details of the share option scheme are set out in note 39 to the financial statements.

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

In prior periods:

– positive goodwill was amortised on a straight-line basis over its useful life and was subject to impairment testing when there were indications of impairment; and

– negative goodwill was amortised over the weighted average useful life of the depreciable/amortisable non-monetary assets acquired, except to the extent it related to identified expected future losses as at the date of acquisition. In such cases it was recognised in the profit and loss account as those expected losses were incurred.

Notes to the Financial Statements

For the year ended 31 March 2006

2. Adoption of new and revised Hong Kong Financial Reporting Standards (Continued)

(vi) Amortisation of positive and negative goodwill (HKFRS 3 – Business combinations and HKAS 36 – Impairment of assets) (Continued)

With effect from 1 April 2005, in accordance with HKFRS 3 and HKAS 36, the Group no longer amortises positive goodwill. Such goodwill is tested annually for impairment, including in the year of its initial recognition, as well as when there are indications of impairment. Impairment losses are recognised when the carrying amount of the cash generating unit to which the goodwill had been allocated exceeds its recoverable amount.

Also with effect from 1 April 2005 and in accordance with HKFRS 3, if the fair value of the net assets acquired in a business combination exceeds the consideration paid (i.e. an amount arises which would have been known as negative goodwill under the previous accounting policy) after reassessment, the excess is recognised immediately in the profit and loss account as it arises.

In accordance with the transitional rules of HKFRS 3, the Group has applied the revised accounting policy prospectively from 1 April 2005. Therefore, the change has had no impact on amounts reported for 2004 or prior periods.

(vii) Financial instruments (HKAS 32 – Financial Instruments: Disclosure and Presentation and HKAS 39 – Financial Instruments: Recognition and Measurement)

The adoption of HKASs 32 and 39 have resulted in a change in the accounting policy for recognition, measurement, derecognition and disclosure of financial instruments.

Until 31 March 2005, investments of the Group were classified as "Investment in securities". They were stated at fair value or estimated fair value as at the balance sheet date. Any unrealised gains less losses arising from valuation of " Investments in securities" as at the balance sheet date were dealt with in the income statement.

As from 1 April 2005, in accordance with HKASs 32 and 39, financial assets are classified as "Available-for-sale investments", "Investments held for trading" and "Loans receivable". The classification depends on the purpose for which the assets are acquired. "Available-for-sale investments" and " Investments held for trading" are carried at fair value with changes in fair value recognised in the equity and income statements respectively. "Loan receivable" consist of secured margin and term loans. Secured margin and term loans are recognised and carried at original contract note or drawdown amount less an allowance for any uncollectible amounts after taking into account the value of each client account's underlying collateral and repayment date.

The application of HKASs 32 and 39 have had no material effect on the recognition and measurement of financial assets and financial liabilities of the Group.

2. Adoption of new and revised Hong Kong Financial Reporting Standards (Continued)

The Group has not early adopted the new or revised standards or interpretations that have been issued but are not yet effective.

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Capital Disclosures	1 January 2007
HKAS 39 (Amendment)	The Fair Value Option	1 January 2006
HKFRS 7	Financial Instruments: Disclosures	1 January 2007
HK (IFRIC) – Int 4	Determining Whether an Arrangement Contains a Lease	1 January 2006

The Group is in the process of making an assessment of what the impact of these new or revised standards or interpretations is expected to be in the period of initial application.

3. Principal accounting policies

(a) Basis of preparation of financial statements

(i) The consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain financial instruments which are carried at fair value, and in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

(ii) There were several changes to the Board of Directors of the Company during the year and subsequent to the year ended 31 March 2006. In the present board of directors, only one executive director was appointed during the year while the other directors (collectively the "Current Directors") were appointed in May 2006, which was subsequent to the Company's current reporting financial year. The financial statements have been prepared based on the books and records maintained by the Company and its subsidiaries. However, no representation as to the completeness of the books and records of the Group during the period from 1 April 2005 to 31 March 2006 could be given by the present board of directors although due care has been taken in the preparation of the financial statements. The Current Directors are, therefore, unable to represent that all transactions entered into the name of the Company and its subsidiaries during the year ended 31 March 2006 have been included in the financial statements. Notwithstanding the foregoing, the Current Directors have in the assessment of the Company's and the Group's assets and liabilities, taken such steps as they considered practicable, to make provisions and adjustments as they considered appropriate in the preparation of financial statements.

Notes to the Financial Statements

For the year ended 31 March 2006

3. Principal accounting policies (Continued)

(a) Basis of preparation of financial statements (Continued)

(iii) The Group sustained a net loss for the year attributable to equity holders of the parent of HK$131,251,000 during the year and had net assets and total equity of approximately HK$40,056,000 as at 31 March 2006. The financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of a substantial shareholder, who agreed to provide funds to finance the working capital requirements of the Group.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

The results of subsidiaries acquired and disposed of 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 significant intercompany transactions, balances and unrealised gains on transactions between group enterprises are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment on the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests 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.

(c) Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities assumed in a business combination are recognised at their fair values at the acquisition date.

3. Principal accounting policies (Continued)

(c) Business combinations (Continued)

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss account.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(d) Subsidiary

A subsidiary is a company in which the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another enterprise.

Investments in subsidiaries are included in the Company's balance sheet at cost less any impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(e) Associates

An associate is a company, not being a subsidiary nor an interest in a joint venture, over which the Group is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate are not recognised. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Where a group company transacts with an associate of the Group, unrealised gains and losses are eliminated to the extent of the Group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the assets transferred.

Notes to the Financial Statements

For the year ended 31 March 2006

3. Principal accounting policies (Continued)

(f) Joint venture

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Where a group company undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant company and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of jointly venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entities, less impairment in the value of individual investments. Losses of a jointly controlled entities in excess of the Group's interest in that jointly controlled entity are not recognised. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a subsidiary.

Where a group company transacts with a jointly controlled entity of the Group, unrealised gains and losses are eliminated to the extent of the Group's interest in the joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred.

(g) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary, associate or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill on acquisitions of subsidiaries is presented separately. Goodwill on acquisitions of associates or jointly controlled entities is included in investments in associates or jointly controlled entities.

3. Principal accounting policies (Continued)

(g) Goodwill (Continued)

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Gain or loss on the disposal of a subsidiary, associate or jointly controlled entity include the carrying amount of goodwill relating to the subsidiary, associate or jointly controlled entity sold.

(h) Property, plant and equipment

Historical cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is charged to profit and loss 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 assets, the expenditure is capitalised as an additional cost of the asset or a separate asset.

Depreciation is charged so as to write off the cost or valuation of assets, other than properties under construction, over their estimated useful lives, using the straight-line method. The useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The principal annual rates are as follows:

Leasehold improvements	20%
Furniture and fixtures	25%
Other equipment	25%
Motor vehicles	25%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

Notes to the Financial Statements

For the year ended 31 March 2006

3. Principal accounting policies (Continued)

(h) Property, plant and equipment (Continued)

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

(i) Construction in progress

Construction in progress represents factories and office buildings on which construction work has not been completed and machinery pending installation and which, upon completion, management intends to hold for production purpose or for its own use. Construction in progress is carried at cost which includes development and construction expenditure incurred and interest and other direct costs attributable to the development less any accumulated impairment losses. On completion, the construction in progress is transferred to property, plant and equipment at cost less provision for impairment losses. Construction in progress is not depreciated until such time as the assets are completed and ready for their intended use.

(j) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is other than indefinite) and impairment losses. Intangible assets with indefinite useful lives that are acquired by the Group are stated in the balance sheet at cost less impairment losses.

(k) Impairment of assets excluding goodwill

Assets that have an indefinite useful life are not subject to amortisation and tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit or loss account, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

3. Principal accounting policies (Continued)

(k) Impairment of assets excluding goodwill (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit or loss account, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(l) Installation contracts

When the outcome of an installation contract can be estimated reliably, contract revenue and costs are recognised in the income statement by reference to the stage of completion of the contract activity at the balance sheet date, as measured by surveys on works performed.

When the outcome of an installation contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable and contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

(m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes cost of purchase of materials computed using the weighted average cost method. Net realisable value is determined by reference to the anticipated sales proceeds of items sold in the ordinary course of business less estimated selling expenses after the balance sheet date or to management estimates based on prevailing market conditions.

(n) Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

(i) Trade and other receivables

Receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate provision for estimated irrecoverable amounts are recognised in profit and loss account when there is objective evidence that the asset is impaired. The provision recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

3. Principal accounting policies (Continued)

(n) Financial instruments (Continued)

(ii) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. 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 investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Investments other than held-to-maturity debt securities are classified as either investments held for trading or as available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

(iii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

3. Principal accounting policies (Continued)

(n) Financial instruments (Continued)

(iv) Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an 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 for specific financial liabilities and equity instruments are set out below.

(v) Borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

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

(vi) Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

(vii) Equity instruments

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

Notes to the Financial Statements

For the year ended 31 March 2006

3. Principal accounting policies (Continued)

(o) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

(p) Provisions and contingent liabilities

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

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

3. Principal accounting policies (Continued)

(q) Taxation

Income tax expense 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 profit as reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liabilities is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. However, such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) or other asset and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

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 liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associated companies and joint ventures, 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Notes to the Financial Statements

For the year ended 31 March 2006

3. Principal accounting policies (Continued)

(r) Translation of foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are expressed in Hong Kong Dollars which is the functional currency of the Company, and the presentation currency for the consolidated statements.

In preparing the financial statements of the individual entities, foreign currency transactions are translated into Hong Kong Dollars, being the functional currency at the rates of exchange 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 retranslation of monetary items, are included in profit or loss for the period. 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. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operation (including comparatives) are expressed in Hong Kong Dollars using exchange rates prevailing on the balance sheet date. Income and expenses items (including comparatives) are translated at the average exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(s) Employees' benefits

(i) Short term benefits

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

3. Principal accounting policies (Continued)

(s) Employees' benefits (Continued)

(ii) Retirement benefit scheme contributions

Contributions to the Mandatory Provident Fund Scheme as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to profit and loss account when incurred. The Group has no further payment obligations once the contribution is made.

Contributions payable by the Group to its defined contribution retirement benefit scheme operated by a local Municipal Government in the PRC are charged to the profit and loss account in the year in which they fall due. The Group has no further payment obligations once the contribution is made.

(iii) Share based payments

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

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

Notes to the Financial Statements

For the year ended 31 March 2006

3. Principal accounting policies (Continued)

(t) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit and loss in the period in which they are incurred.

(u) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

(v) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts.

(i) Revenue from the sale of electrical products is recognised when the Group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivable is reasonably assured.

(ii) Revenue on installation contracts is recognised using the percentage of completion method by reference to the value of work carried out during the year.

(iii) Interest income is accrued on a time-apportioned basis by reference to the principal outstanding using the effective interest rate method.

(iv) Rental income from operating leases is recognised in equal instalments over the accounting periods covered by the lease term.

3. Principal accounting policies (Continued)

(v) Revenue recognition (Continued)

(v) Revenue from sea freight forwarding is recognised when the services are rendered, which generally coincides with the time of shipment.

(vi) Brokerage commission income is recognised on a trade date basis when the services are rendered.

(vii) Income from securities handling charges and service income is recognised when the services are rendered.

(w) Segment reporting

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 March 2006

4. Critical accounting estimates and judgements

Estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgment in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may effect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

Estimation uncertainty

The Group also makes estimates and assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are in relation to share option expense.

Share option expense is subject to the limitations of the option pricing models adopted and the uncertainty in estimates used by management in the assumptions. Should the estimates including limited early exercise behaviour, expected interval and frequency of open exercise periods in the share option life and the relevant parameters of the share option model be changed, there would be material changes in the amount of share option benefits recognised in the income statement and share-based reserve.

The management exercises their judgement in estimation of impairment loss on investments held for trading based on the valuation report from an independent professional valuer. The valuation is subject to the limitation and the uncertainty of Black-Scholes pricing model in estimates used by management. There would be material changes in the amount of impairment loss recognised in the income statement and accumulated impairment loss if the parameters in the model are changed.

5. Turnover

Turnover represents the aggregate of the value of contract work carried out, sea freight forwarding service income, the proceeds from sales of goods, brokerage income, margin interest earned and interest income from unsecured loans during the year, and is analysed as follows:

	2006 HK$'000	2005 HK$'000
Electrical engineering contracting	**17,737**	43,307
Sea freight forwarding service income	**–**	49,010
Sales of electrical goods	**1,865**	4,616
Brokerage income from securities dealings	**3,484**	2,405
Margin interest from securities brokerage business	**1,527**	1,554
Interest income from unsecured loans	**5,067**	1,499
Others	**10**	36
	29,690	102,427

6. Business and geographical segments

(a) Business segments

For management purposes, the Group is currently organised into four operating divisions. These divisions are the basis on which the Group reports its primary segment information. Principal activities are as follows:

(i) Electrical engineering contracting

(ii) Sale of electrical goods

(iii) Securities brokerage and financing

(iv) Sea freight forwarding services

Notes to the Financial Statements

For the year ended 31 March 2006

6. Business and geographical segments (Continued)

(a) Business segments (Continued)

	Electrical engineering contracting HK$'000	Sale of electrical goods HK$'000	Securities brokerage and financing HK$'000	Sea freight forwarding services HK$'000	Others HK$'000	Elimination HK$'000	Consolidated HK$'000
For the year ended 31 March 2006							
Turnover							
External sales	17,737	1,865	10,078	–	10	–	29,690
Inter-segment sales	–	233	9	–	–	(242)	–
Total revenue	17,737	2,098	10,087	–	10	(242)	29,690

Inter-segment sales are charged at prevailing market rates.

	Electrical engineering contracting HK$'000	Sale of electrical goods HK$'000	Securities brokerage and financing HK$'000	Sea freight forwarding services HK$'000	Others HK$'000	Elimination HK$'000	Consolidated HK$'000
Results							
Segment results	(8,024)	(3,778)	(59,539)	(108)	(19)	–	(71,468)
Unallocated operating income and expenses							(83,266)
Loss from operations							(154,734)
Finance costs							(2,285)
Gain on disposal of subsidiaries							25,927
Loss before taxation							(131,092)
Taxation							(159)
Net loss for the year							(131,251)

6. Business and geographical segments (Continued)

(a) Business segments (Continued)

	Electrical engineering contracting HK$'000	Sale of electrical goods HK$'000	Securities brokerage and financing HK$'000	Sea freight forwarding services HK$'000	Others HK$'000	Unallocated HK$'000	Consolidated HK$'000
As at 31 March 2006							
Assets							
Segment assets	10,155	2,893	27,981	6	30	–	41,065
Unallocated corporate assets							51,685
Consolidated total assets							92,750
Liabilities							
Segment liabilities	8,024	1,285	16,882	19	75	–	26,285
Unallocated corporate liabilities							26,409
Consolidated total liabilities							52,694
Other information							
Additions of property, plant and equipment and intangible assets	–	–	214	–	–	19	233
Amortisation of trading right	–	–	251	–	–	–	251
Depreciation	200	123	273	–	4	2,547	3,147
Impairment losses recognised in income statement	–	–	62,931	–	–	59,487	122,418
Loss on disposal of property, plant and equipment	–	79	–	–	–	1,756	1,835
Provision for doubtful debts	1,017	223	–	–	6	1,316	2,562
Bad debts written off	–	1	314	–	–	–	315

Notes to the Financial Statements

For the year ended 31 March 2006

6. Business and geographical segments (Continued)

(a) Business segments (Continued)

	Electrical engineering contracting HK$'000	Sale of electrical goods HK$'000	Securities brokerage and financing HK$'000	Sea freight forwarding services HK$'000	Others HK$'000	Elimination HK$'000	Consolidated HK$'000
For the year ended 31 March 2005							
Turnover							
External sales	43,307	3,306	5,458	49,010	1,346	–	102,427
Inter-segment sales	–	1,670	–	–	–	(1,670)	–
Total revenue	43,307	4,976	5,458	49,010	1,346	(1,670)	102,427

Inter-segment sales are charged at prevailing market rates.

	Electrical engineering contracting HK$'000	Sale of electrical goods HK$'000	Securities brokerage and financing HK$'000	Sea freight forwarding services HK$'000	Others HK$'000	Elimination HK$'000	Consolidated HK$'000
Results							
Segment results	(2,977)	(821)	250	(312)	(3,835)	–	(7,695)
Unallocated operating income and expenses							(82,993)
Unrealised losses on listed investments							(68)
Loss from operations							(90,756)
Finance costs							(394)
Share of results of associates							(3,596)
Gain on disposal of subsidiaries							595
Share of results of a joint venture							(2,601)
Loss before taxation							(96,752)
Taxation							(36)
Net loss for the year							(96,788)

6. Business and geographical segments (Continued)

(a) Business segments (Continued)

	Electrical engineering contracting HK$'000	Sale of electrical goods HK$'000	Securities brokerage and financing HK$'000	Sea freight forwarding services HK$'000	Others HK$'000	Unallocated HK$'000	Consolidated HK$'000
As at 31 March 2005							
Assets							
Segment assets	14,276	3,053	49,258	13	400	–	67,000
Interests in associates							2,467
Unallocated corporate assets							175,256
Consolidated total assets							244,723
Liabilities							
Segment liabilities	10,263	1,423	3,375	94	116	–	15,271
Unallocated corporate liabilities							40,353
Consolidated total liabilities							55,624
Other information							
Additions of property, plant and equipment and intangible assets	5	–	242	–	323	2,224	2,794
Amortisation of goodwill and trading right	–	–	251	–	78	282	611
Depreciation	265	143	305	–	84	2,663	3,460
Impairment losses recognised in income statement	–	–	–	–	1,720	39,071	40,791
Loss on disposal of property, plant and equipment	–	–	618	–	–	119	737
Provision for doubtful debts	984	455	–	–	154	6,974	8,567

Notes to the Financial Statements

For the year ended 31 March 2006

6. Business and geographical segments (Continued)

(b) Geographical segments

The Group's principal operations are mainly located in Hong Kong and the People's Republic of China (the "PRC"). The Group's electrical engineering contracting, sale of electrical goods, securities brokerage and financing, and sea freight forwarding services are located in Hong Kong.

Over 90% of the Group's revenues during the two years ended 31 March 2006 were derived from Hong Kong. Accordingly, no geographical information on revenue is presented.

The following is an analysis of the carrying amount of consolidated total assets and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located.

	Carrying amount of consolidated total assets At 31 March		Additions to property, plant equipment and intangible assets For the year ended 31 March	
	2006	2005	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong	52,383	121,334	233	2,174
The PRC	834	123,117	–	620
	53,217	244,451	233	2,794
Others	39,533	272	–	–
	92,750	244,723	233	2,794

7. Other operating income

	2006 HK$'000	2005 HK$'000
Other operating income includes:		
Exchange gain	**37**	–
Gain on disposal of investments in unlisted other investments	**269**	–
Gain on disposal of development rights	**–**	100
Handling charges	**122**	120
Interest income	**902**	2,295
Rental income	**230**	640
Reversal of provision for irrecoverable prepayments	**3,053**	–
Sundry income	**107**	757
	4,720	3,912

8. Impairment losses

	2006 HK$'000	2005 HK$'000
Impairment losses in respect of:		
Goodwill arising from acquisition of an associate	**–**	5,364
Goodwill arising from acquisition of subsidiaries	**–**	2,373
Interests in associates	**467**	22,354
Investment deposits *(note 34)*	**25,000**	–
Investments held for trading *(note 25(a) & (b))*	**27,764**	–
Investments in unlisted investments *(note 24)*	**–**	10,700
Loan interest receivables *(note 32)*	**5,637**	–
Loans and margin receivable *(note 32)*	**63,550**	–
	122,418	40,791

Notes to the Financial Statements

For the year ended 31 March 2006

9. Loss from operations

	2006 HK$'000	2005 HK$'000
Loss from operations has been arrived at after charging (crediting):		
Provision for doubtful debts	**2,562**	8,567
Amortisation of goodwill arising on acquisition of subsidiaries included in administrative expenses	**–**	78
Amortisation of goodwill arising on acquisition of an associate included in administrative expenses	**–**	282
Amortisation of trading right in respect of securities trading included in administrative expenses *(note 22)*	**251**	251
Auditors' remuneration	**650**	530
Bad debts written off	**315**	–
Cost of inventories	**1,278**	3,860
Depreciation of property, plant and equipment:		
Owned assets	**2,682**	3,156
Assets held under finance leases	**465**	304
Exchange (gains) losses	**(37)**	674
Provision for obsolete inventories	**13**	115
Provision for amount due from an investee company	**–**	5,995
Impairment losses *(note 8)*	**122,418**	40,791
Loss on disposal of property, plant and equipment	**1,835**	737
Loss on disposal of listed investments	**–**	4,753
Operating lease rentals in respect of		
– rented premises	**993**	5,193
– motor vehicles	**–**	83
Staff costs:		
Salaries and allowances	**13,647**	13,160
Retirement benefit scheme contributions	**424**	460
Share options granted to employees	**1,694**	–

10. Directors' and senior executives' emoluments

(a) The emoluments paid or payable to each of directors of the Group during the year are as follows:

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefit scheme contributions HK$'000	2006 Total HK$'000
Executive directors				
Lee Yu Leung	–	476	7	483
Hon Ming Kong	–	325	–	325
Ting Pascal	–	225	3	228
Chen Jun Nong	–	155	2	157
Chan Tat Chee	–	9	–	9
Lin Hoi Kwong	–	370	7	377
Zhao Lin	–	412	–	412
Szeto Chak Wah, Michael	–	1,039	6	1,045
Lai Man Leung	–	623	6	629
Yeung Kwok Leung	–	111	3	114
Non-executive director				
Li Yong, Alfa	438	–	–	438
Independent non-executive directors				
Loo Chung Keung, Steve	92	–	–	92
Au Yeung Ka Cheung	48	–	–	48
Wong Tik Tung	26	–	–	26
Law Mun Yee	33	–	–	33
Chong Yiu Kan, Sherman	22	–	–	22
Au Tin Fung	22	–	–	22
Tsoi Wai Kwong	80	–	–	80
	761	3,745	34	4,540

Notes to the Financial Statements

For the year ended 31 March 2006

10. Directors' and senior executives' emoluments (Continued)

(a) The emoluments paid or payable to each of directors of the Group during the year are as follows: (Continued)

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefit scheme contributions HK$'000	2005 Total HK$'000
Executive directors				
Chen Jun Nong	–	260	3	263
Hon Ming Kong	–	2,511	6	2,517
Lee Yu Leung	–	840	12	852
Ting Pascal	–	300	3	303
Lin Hoi Kwong	–	196	4	200
Hon Yik Kwong	–	715	8	723
Non-executive director				
Li Yong, Alfa	765	136	–	901
Independent non-executive directors				
Loo Chung Keung	42	–	–	42
Tsoi Wai Kwong	82	–	–	82
Fork Siu Lun	100	–	–	100
Au Yeung Ka Cheung	–	–	–	–
	989	4,958	36	5,983

There were no arrangements under which any director waived or agreed to waive any emoluments in respect of the years ended 31 March 2006 and 2005.

10. Directors' and senior executives' emoluments (Continued)

(b) Details of the emoluments paid by the Group to the senior management of the Company are as follows:–

	Salaries and Allowances HK$'000	Bonus HK$'000	Retirement benefit scheme contributions HK$'000	2006 Total HK$'000
Senior management:				
Lin Hoi Kwong	790	–	12	802
Lai Sai Sang	3,012	–	73	3,085
Leung Sau Che, Jennifer	1,152	–	46	1,198
	4,954	–	131	5,085

	Salaries and Allowances HK$'000	Bonus HK$'000	Retirement benefit scheme contributions HK$'000	2005 Total HK$'000
Senior management:				
Chan Tak Hing, Kenji	529	–	12	541
Kong Ming Fai, Manfred	214	7	11	232
Leung Po Hung, Mabel	361	4	11	376
Ho Wai Hong	264	–	13	277
	1,368	11	47	1,426

There were no arrangements under which a senior management waived or agreed to waive any emoluments, and no incentive payment nor compensation for loss of office was paid or payable to any supervisor during the year.

Notes to the Financial Statements

For the year ended 31 March 2006

11. Results attributable to equity shareholders of the Company

The loss attributable to equity shareholders of the Company includes a loss of HK$131,647,000 (2005: HK$93,224,000) which has been dealt with in the financial statements of the Company.

12. Finance costs

	2006 HK$'000	2005 HK$'000
Interest on bank borrowings and overdrafts wholly repayable within five years	**488**	357
Interest on obligations under finance leases	**40**	29
Interest on other borrowings	**1,757**	8
	2,285	394

13. Taxation

	2006 HK$'000	2005 HK$'000
The charge comprises:		
Underprovision of Hong Kong Profits Tax in respect of prior years	**159**	36

No provision for Hong Kong profits tax for the current year has been made as the Group sustained a loss during the year. Taxation in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

13. Taxation (Continued)

Taxation for the year can be reconciled to the loss before taxation per the consolidated income statement as follows:

	2006 HK$'000	2005 HK$'000
Loss before taxation	**(131,092)**	(96,752)
Tax credit at the domestic income tax rate of 17.5% (2005: 17.5%)	**(22,941)**	(16,932)
Tax effect of share of results of associates	**–**	629
Tax effect of share of results of a joint venture	**–**	455
Tax effect of expenses that are not deductible in determining taxable profit	**11,172**	8,138
Tax effect of income that is not taxable in determining taxable profit	**(4,691)**	(125)
Deferred tax asset on tax losses and other timing differences not recognised	**16,460**	8,452
Tax effect of tax losses utilised but not previously recognised	**–**	(13)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**–**	(652)
Underprovision in prior years	**159**	36
Others	**–**	48
Taxation charge for the year	**159**	36

Details of deferred taxation are disclosed in note 46 to the financial statements.

Notes to the Financial Statements

For the year ended 31 March 2006

14. Dividends

No dividend has been paid or declared by the Company during the year (2005: HK$Nil).

The directors do not recommend the payment of a final dividend during the year.

15. Loss per share

The calculation of the basic loss per share is based on the following data:

	2006 HK$'000	2005 HK$'000
Loss for the purposes of basic loss per share	**(131,251)**	(94,376)
Weighted average number of ordinary shares for the purposes of basic loss per share	**459,620**	338,518

No diluted loss per share has been presented as the exercise of the Company's outstanding share options would result in a decrease in the loss per share.

16. Property, plant and equipment

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
The Group					
Cost:					
At 1 April 2004	6,287	5,480	3,857	2,826	18,450
Additions	181	173	671	1,769	2,794
Disposals					
– others	(964)	(87)	(68)	(2,072)	(3,191)
At 31 March 2005	5,504	5,566	4,460	2,523	18,053
Additions	69	35	129	–	233
Disposals					
– of subsidiaries	–	(228)	(153)	(399)	(780)
– others	(4,958)	(1,076)	(157)	(264)	(6,455)
At 31 March 2006	**615**	**4,297**	**4,279**	**1,860**	**11,051**
Accumulated depreciation:					
At 1 April 2004	2,034	3,276	2,512	985	8,807
Charge for the year	1,211	865	725	659	3,460
Written back on disposal					
– others	(418)	(44)	(27)	(1,022)	(1,511)
At 31 March 2005	2,827	4,097	3,210	622	10,756
Charge for the year	1,180	825	658	484	3,147
Written back on disposal					
– of subsidiaries	–	(166)	(9)	(27)	(202)
– others	(3,506)	(783)	(126)	(85)	(4,500)
At 31 March 2006	**501**	**3,973**	**3,733**	**994**	**9,201**
Net book values:					
At 31 March 2006	**114**	**324**	**546**	**866**	**1,850**
At 31 March 2005	2,677	1,469	1,250	1,901	7,297

Note: The net book value of motor vehicles of HK$866,000 (2005:HK$1,901,000) as at the balance sheet date included an amount of HK$806,000 (2005:HK$1,331,000) in respect of assets held under finance leases.

Notes to the Financial Statements

For the year ended 31 March 2006

16. Property, plant and equipment (Continued)

	Office equipment HK$'000
The Company	
Cost:	
At 1 April 2004, 31 March 2005 and 31 March 2006	157
Accumulated depreciation:	
At 1 April 2004	55
Charge for the year	40
At 31 March 2005	95
Charge for the year	39
At 31 March 2006	**134**
Net book values:	
At 31 March 2006	**23**
At 31 March 2005	62

17. Interests in subsidiaries

	The Company	
	2006 HK$'000	2005 HK$'000
Unlisted shares, at cost	**15,186**	15,186
Amounts due from subsidiaries, net	**255,703**	296,870
	270,889	312,056
Less: Impairment losses	**(268,762)**	(171,208)
	2,127	140,848

The amounts due from subsidiaries are unsecured, interest free and repayable on demand. In the opinion of the Directors, the amounts will not be repayable within twelve months from the balance sheet date.

Particulars of the Company's principal subsidiaries at 31 March 2006 are set out in note 50.

18. Construction in progress

Construction in progress as at 31 March 2005 represents building costs incurred by a PRC subsidiary on the construction of a plant for the operation of the waste incineration and process business.

	The Group	
	2006	2005
	HK$'000	HK$'000
Construction costs	–	18,958
Consultation costs	–	853
Decoration costs	–	342
Government fees and levies	–	1,202
Inspection fees	–	768
Installation fees	–	3,070
Licence fee	–	4,750
Project design fee	–	1,947
	–	31,890

The PRC subsidiary was disposed of in July 2005. Details of the disposal of the subsidiaries are set out in note 45.

Notes to the Financial Statements

For the year ended 31 March 2006

19. Goodwill

	HK$'000
Cost:	
At 1 April 2004	27,488
Arising on acquisition of subsidiaries during the year	653
At 31 March 2005	28,141
Elimination of amortisation accumulated prior to the adoption of HKFRS 3	(28,141)
At 1 April 2005 and 31 March 2006	–
Amortisation and impairment:	
At 1 April 2004	25,690
Charge for the year	78
Impairment loss recognised for the year	2,373
At 31 March 2005	28,141
Elimination of amortisation accumulated prior to the adoption of HKFRS 3	(28,141)
At 1 April 2005 and 31 March 2006	–
Net book values:	
At 31 March 2006	**–**
At 31 March 2005	–

The amortisation period adopted for goodwill is 20 years.

20. Interests in associates

	The Group 2006 HK$'000	2005 HK$'000
Cost of investment in associates	**35,000**	35,000
Amounts due from associates, net	**33,428**	35,428
	68,428	70,428
Share of post acquisition results of associates	**(45,607)**	(45,607)
Less: Impairment losses	**(22,821)**	(22,354)
	–	2,467

The amounts due from associates are unsecured, interest free and have no fixed terms of repayment. In the opinion of the Directors, the amounts will not be repayable within twelve months from the balance sheet date.

Particulars of the Group's associates as at 31 March 2006 were as follows:

Name of associate	Form of business structure	Place of incorporation/ operation	Class of shares held	Effective percentage of equity interest held by the Group	Principal activities
Goldluck Investment Limited *(note (a))*	Incorporated	Hong Kong/ Hong Kong	Ordinary	50%	Inactive
Bright Rich International Limited *(note (b))*	Incorporated	Hong Kong/ Hong Kong	Ordinary	50%	Inactive
Sharpway Enterprises Limited	Incorporated	British Virgin Islands/ The PRC	Ordinary	50%	Inactive
United Asia Terminal Holdings Limited	Incorporated	British Virgin Islands/ The PRC	Ordinary	40%	Investing holding
Shanghai Fortune Limited	Incorporated	Hong Kong/ The PRC	Ordinary	40%	Investing holding

Notes to the Financial Statements

For the year ended 31 March 2006

20. Interests in associates (Continued)

Name of associate	Form of business structure	Place of incorporation/ operation	Class of shares held	Effective percentage of equity interest held by the Group	Principal activities
Fortune Union Investment Limited	Incorporated	Hong Kong/ The PRC	Ordinary	40%	Investing holding
Shanghai United Asia Container Services Co., Ltd. 上海聯亞集裝箱服務有限公司 *(note (c))*	Sino-foreign equity joint venture	The PRC/ The PRC	Registered capital	36%	Operation of container depots and provision of logistics management services business

Notes:

(a) The company was deregistered on 21 October 2005.

(b) No management accounts for the year ended 31 March 2006 were available to the directors for Bright Rich International Limited.

(c) The financial information of Shanghai United Asia Container Services Co., Limited 上海聯亞集裝箱服務有限公司 has been based on financial statements audited by the PRC auditors made up to 31 December 2005 and the management accounts made up to 31 March 2006.

(d) Save as disclosed above, the financial information of the remaining associates has been based on management accounts.

21. Interest in a joint venture

	The Group 2006 HK$'000	2005 HK$'000
Share of net assets	–	–

As at 31 March 2006, the Group had an interest in the following joint venture:

Name of company	Form of business structure	Place of incorporation and operation	Class of capital held	Attributable equity interest held by the Group	Principal activities
Dagong Credit Information Service Co., Ltd. 大公信用信息服務有限公司	Incorporated	The PRC	Registered Capital	50%	Provision of credit information rating services in the PRC

Note:

Management accounts of the joint venture for the year ended 31 March 2006 were not available to the Directors.

22. Intangible asset

	The Group HK$'000
Cost:	
At 1 April 2004, 31 March 2005 and 31 March 2006	2,380
Amortisation and impairment:	
At 1 April 2004	1,627
Charge for the year	251
At 31 March 2005	1,878
Charge for the year	251
At 31 March 2006	**2,129**
Net book values:	
At 31 March 2006	**251**
At 31 March 2005	502

The intangible asset represents trading right in the Stock Exchange.

Notes to the Financial Statements

For the year ended 31 March 2006

23. Other assets

	The Group	
	2006	2005
	HK$'000	HK$'000
The Stock Exchange		
– Compensation fund deposits	**50**	50
– Fidelity fund deposits	**50**	50
– Stamp duty deposits	**5**	5
Hong Kong Securities Clearing Company Limited		
– Guarantee fund contribution	**50**	50
– Admission fees	**50**	50
At 31 March	**205**	205

24. Investments in securities

Details of investments in securities as at 31 March 2005 are set out below. Upon the application of HKAS 39 on 1 April 2005, investments in securities were reclassified to investments held for trading (note 25).

	The Group
	2005
	HK$'000
Equity securities:	
Listed, Hong Kong	80
Unlisted	10,700
	10,780
Less: Impairment loss	(10,700)
At 31 March	80
Market value of listed securities	80

25. Investments held for trading

	The Group		The Company	
	2006	2005	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000
Non-voting cumulative redeemable convertible preference shares, at cost (note (a))	**60,800**	–	**60,800**	–
Listed investments, at cost (note (b))	**5,780**	–	**5,700**	–
	66,580	–	**66,500**	–
Less: Impairment losses	**(27,764)**	–	**(27,744)**	–
	38,816	–	**38,756**	–

Notes

(a) Pursuant to a sale and purchase agreement and supplemental agreement signed on 7 April 2005 and 8 April 2005 respectively, the Group disposed of its 51% equity interest in a subsidiary in a consideration of 100,000,000 non-voting cumulative redeemable convertible preference shares of China Science Conservational Power Limited ("CSCPL") (the "Preferences Shares"), a company listed on the Stock Exchange, at a conversion price of HK$0.76 per each conversion share and 50,000,000 new share options with the right to subscribe for ordinary shares of CSCPL.

The Preference Shares bear a fixed preferential dividend at 3% per annum. The maturity date of the Preference Shares is 3 years from the date of issue, i.e. 4 July 2008. According to the agreement, the Preference Shares can be converted to ordinary shares accompanied with the exercise of the new share options at any time before maturity date.

During the year, 5,000,000 Preference Shares were disposed of to a third party. In addition, 15,000,000 Preference Shares were converted to 15,000,000 ordinary shares which were then disposed of.

As at 31 March 2006, the carrying value represented the fair value of the remaining 80,000,000 Preference Shares. The trading of the shares of CSCPL was suspended since 29 September 2005.

The Preference Shares as at 31 March 2006 were valued by a firm of independent professional valuers at HK$36,000,000 using the discounted cash flow model, based on a specific pricing model and parameters. Accordingly, an impairment loss of HK$24,800,000 was made. In the opinion of the Directors, the conversion rights and the share options do not have any value.

(b) Listed investments of HK$5,700,000 primarily represent 7,500,000 ordinary shares of CSCPL acquired through the exercise of options held by the Company. The ordinary shares were valued at HK$2,736,000 as at 31 March 2006 based on the best judgement of the Directors, resulting in an impairment loss of HK$2,940,000.

Notes to the Financial Statements
For the year ended 31 March 2006

26. Retention money receivables

	The Group	
	2006	2005
	HK$'000	HK$'000
Retention money receivables	**6,081**	6,202
Less: Provision for bad debts	**(837)**	–
	5,244	6,202
Less: Amounts receivable within one year included in current assets	**(4,135)**	(932)
Amounts receivable after one year	**1,109**	5,270

The amounts represent monies retained by the employees on progress payments on contract work.

The carrying amount of retention money receivables approximates their fair value.

27. Retention money payables

	The Group	
	2006	2005
	HK$'000	HK$'000
Retention money payables	**1,832**	2,415
Less: Amounts payable within one year included in current liabilities	**(447)**	(756)
Amounts payable after one year	**1,385**	1,659

The amounts represent monies retained by the Group on payments to subcontractors on contract work. The carrying amount of retention money payables approximates their fair value.

28. Accounts payable, other payables and accrued charges

Included in accounts payable, other payables and accrued charges are trade creditors amounting to HK$15,897,000 (2005: HK$4,756,000). The aged analysis of trade creditors is as follows:

	2006 HK$'000	2005 HK$'000
0 to 30 days	**12,155**	695
31 to 60 days	**160**	217
61 to 90 days	**41**	202
91 to 180 days	**–**	45
More than 180 days	**3,541**	3,597
	15,897	4,756

The carrying amount of accounts payable, other payables and accrued charges approximates their fair value.

29. Inventories

	2006 HK$'000	2005 HK$'000
Finished goods	**252**	472

30. Amounts due from customers for contract work

	2006 HK$'000	2005 HK$'000
Contract costs incurred plus attributable profits less foreseeable losses	**23,363**	84,352
Less: progress billings	**(22,706)**	(79,368)
	657	4,984

The carrying amount of amounts due from customers for contract work approximates their fair value.

Notes to the Financial Statements

For the year ended 31 March 2006

31. Progress payments receivable

The aged analysis of progress payments receivable is as follows:

	2006 HK$'000	2005 HK$'000
0 to 30 days	**10**	1,329
31 to 60 days	**2**	7
61 to 90 days	**–**	269
91 to 180 days	**131**	250
More than 180 days	**245**	387
	388	2,242
Less: Provision for doubtful debts	**(179)**	–
	209	2,242

The carrying amounts of progress payment receivables approximate their fair value.

32. Loans receivable

	2006 HK$'000	2005 HK$'000
Interest bearing loans receivable	**69,038**	38,823
Margin receivables *(Note)*	**9,587**	19,757
Less: Impairment losses	**(69,187)**	–
	9,438	58,580

Note: Margin receivables represent loans to securities margin clients which are secured by clients' pledged securities. The balances are repayable on demand and bear interest at prevailing market rate.

In the opinion of the Directors, aged analysis of loans receivable does not give additional value and is therefore not presented.

33. Accounts receivable

The Group normally grants its customers 90 days credit.

The aged analysis of accounts receivable is as follows:

	2006 HK$'000	2005 HK$'000
0 to 30 days	**11,997**	816
31 to 60 days	**92**	112
61 to 90 days	**–**	198
91 to 180 days	**–**	–
More than 180 days	**519**	242
	12,608	1,368
Less: Provision for doubtful debts	**(452)**	–
	12,156	1,368

The carrying amount of accounts receivable approximates their fair value.

34. Investment deposits

	2006 HK$'000	2005 HK$'000
Investment deposits comprise of:		
Deposit for formation of a joint venture *(note (a))*	**5,000**	10,000
Deposit for acquisition of interest in a PRC company licensed to operate an internet café chain *(note (b))*	**–**	20,000
Earnest money for acquisition of interest in a PRC company engaged in software development *(note (c))*	**20,000**	–
	25,000	30,000
Less: Impairment losses	**(25,000)**	–
	–	30,000

Notes to the Financial Statements

For the year ended 31 March 2006

34. Investment deposits (Continued)

Notes

(a) A deposit of HK$10,000,000 was paid to a PRC party in May 2002 for the formation of a sino-foreign joint venture in the PRC in which the Group will own 49%. The joint venture was to be principally engaged in construction engineering consultancy and advisory services. The joint venture could not obtain the business licence and half of the deposit amounting to HK$5,000,000 was refunded on 18 July 2005. In the opinion of the Directors, full provision has been made in respect of the remaining HK$5,000,000.

(b) On 23 April 2004, the Group entered into a letter of intent with an independent third party for the acquisition of not more than 50% equity interest in a PRC company licensed to operate an internet café chain in the PRC. Pursuant to the letter of intent, the Group paid earnest money in the amount of HK$20,000,000. The Group further entered into a supplemental letter of intent with the independent third party on 24 November 2004 to extend the exclusivity period for conducting due diligence review on the affairs of the PRC company to 22 December 2004. The acquisition was subsequently cancelled and the deposit was fully refunded during the year.

(c) On 15 July 2005, the Group entered into a letter of intent with an independent third party and a guarantor in relation to the proposed acquisition of certain equity interests in a PRC company, which is principally engaged in the design and distribution of application software specifically for hospitals and clinics in the PRC. Pursuant to the terms of the letter of intent, the Group paid HK$20,000,000 as earnest money. The Group has made full provision in respect of this deposit as at 31 March 2006.

35. Obligations under finance leases

	Minimum lease payments 2006 HK$'000	Minimum lease payments 2005 HK$'000	Present value of minimum lease payments 2006 HK$'000	Present value of minimum lease payments 2005 HK$'000
Amounts payable under finance leases:				
Within one year	**306**	445	**275**	405
More than one year but not exceeding two years	**278**	305	**250**	275
More than two years but not exceeding five years	**440**	719	**396**	646
	1,024	1,469	**921**	1,326
Less: Future finance charges	**(103)**	(143)		
Present value of lease obligations	**921**	1,326		
Less: Amounts due for settlement within one year			**(275)**	(405)
Amounts due for settlement after one year			**646**	921

36. Bank overdrafts (secured)

	The Group 2006 HK$'000	The Group 2005 HK$'000
Bank overdrafts (secured)	**4,098**	9,397

The bank overdrafts are denominated in Hong Kong dollars and repayable on demand.

The average interest rate paid for bank overdrafts is prime rate to prime rate – 1% (2005: prime rate - 1%).

The carrying amount of bank overdrafts approximates the fair value due to short maturity.

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For the year ended 31 March 2006

37. Other borrowings

	The Group	
	2006	2005
	HK$'000	HK$'000
Unsecured borrowing	**11,718**	–

Pursuant to a loan agreement signed between the Group and lender dated 30 August 2005, a loan of HK$20,000,000 was advanced to the Group to be repaid in full on 30 September 2005. The amount is unsecured and bears interest rate at 24%.

As at 31 March 2006, the Group had repaid HK$10,000,000 to the lender. The balance of the loan, together with interest thereon amounted to HK$11,718,000.

The carrying amount of other borrowing approximates their fair value.

38. Share capital

	The Company	
	2006	2005
	HK$'000	HK$'000
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	**100,000**	100,000
Issued and fully paid:		
464,070,000 (2005: 386,726,000) ordinary shares of HK$0.10 each	**46,407**	38,672

38. Share capital (Continued)

A summary of the movements in the authorised, issued and fully paid share capital of the Company during the year is as follows:

	Number of shares	Amount
		HK$'000
Authorised:		
Balance as at 1 April 2004, 31 March 2005 and 31 March 2006	1,000,000,000	100,000
Issued and fully paid:		
Balance as at 1 April 2004	322,272,000	32,227
Shares issued on 30 December 2004 *(note (a))*	64,454,000	6,445
Balance as at 31 March 2005	386,726,000	38,672
Shares issued on 21 April 2005 *(note (b))*	77,344,000	7,735
Balance as at 31 March 2006	**464,070,000**	**46,407**

Note:

(a) On 30 December 2004, the Company placed a total of 64,454,000 new shares of HK$0.10 each of the Company at a consideration of HK$0.23 per share, through Kingston Securities Limited, to independent investors pursuant to the placing underwriting agreement dated 4 November 2004. The net proceeds of the placing amounted to approximately HK$14.4 million and was to be used for making future investment or to be retained by the Group for general working capital purpose. The new shares issued rank pari passu with the then existing shares in issue in all respects.

(b) On 21 April 2005, the Company placed a total of 77,344,000 new shares of HK$0.10 each at a consideration of HK$0.40 per share, through Kingston Securities Limited, to independent investors pursuant to the placing underwriting agreement dated 22 March 2005. The net proceeds of the placing amounted to approximately HK$30.1 million and will be used for making future investment or will be retained for general working capital purposes. The new shares issued rank pari passu with the then existing shares in issue in all respects.

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For the year ended 31 March 2006

39. Share options

The Company had a share option scheme (the "2001 share option scheme") which was adopted on 3 April 2001. Pursuant to a shareholders' resolution dated 12 February 2003, the 2001 share option scheme enabling the directors to grant options to employees, including Executive Directors of the Company and its subsidiaries, to subscribe for shares of the Company was terminated.

A new share option scheme (the "New Option Scheme") was approved and adopted by the shareholders of the Company on 12 February 2003. The New Option Scheme is valid and effective for a period of 10 years after the date of adoption. Outstanding options granted pursuant to the 2001 share option scheme shall continue to be subject to the provisions of the 2001 share option scheme and the adoption of the New Option Scheme will not in any event affect the terms of the grant of such outstanding options.

Under the terms of the New Option Scheme, the Directors of the Company may, at their discretion, grant options to the full-time employees, including Executive Directors of the Company and its subsidiaries, to subscribe for shares of the Company for recognition of their contribution as incentives or rewards. Options granted must be taken up within 30 days of the date of grant. A nominal consideration of HK$1 is payable on acceptance of the grant of an option which will entitle the holders to subscribe for shares of the Company during a period of 5 years commencing on the date of acceptance of the option at a price not less than the higher of (i) the nominal value of the shares of the Company; (ii) the closing price of the shares of the Company on the Stock Exchange on the date of grant; and (iii) the average of the closing prices of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of the grant of the option. The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the New Option Scheme and any other schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time. Subject to the shareholders' approval, the maximum number of shares in respect of which options may be granted under the New Option Scheme shall not exceed 10% of the shares in issue as at the date of the approval, or the maximum number of shares in respect of which options may be granted to any employee may not exceed 1% of the shares in issue from time to time in a 12-month period. Subject to the entitlements of dividends, bonus, rights declared before the exercise of options, any shares allotted and issued on the exercise of an option will rank pari passu with the other shares in issue at the date of exercise of the relevant option.

An ordinary resolution relating to the refreshment of the limit to grant of option under the New Option Scheme was duly passed at the Extraordinary General Meeting held on 18 March 2005.

At 31 March 2006, 25,522,600 (2005:18,730,000) options had been granted and remained outstanding under the share option schemes of the Company, representing 6.3% (2005: 4.8%) of the shares of the Company in issue at that date.

39. Share options (Continued)

The following table disclose details of the Company's share options held by employees (including directors) and movements in such holdings during the year:

For the year ended 31 March 2006

Option type	Outstanding at 1 April 2005	Granted during the year	Lapsed during the year	Outstanding at 31 March 2006
2002A	2,000,000	–	(2,000,000)	–
2003C	2,000,000	–	(2,000,000)	–
2003D	2,000,000	–	(2,000,000)	–
2004A	200,000	–	(200,000)	–
2004B	8,400,000	–	(2,000,000)	6,400,000
2004C	3,630,000	–	(1,000,000)	2,630,000
2005A	500,000	–	–	500,000
2006A	–	19,792,600	(3,800,000)	15,992,600
Total	18,730,000	19,792,600	(13,000,000)	25,522,600

Details of the share options held by the Directors during the year and included in the above table are as follows:

For the year ended 31 March 2006

	Option type	Outstanding at 1 April 2005	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31 March 2006
Directors:						
Mr Hon Ming Kong (a)	2003D	2,000,000	–	(2,000,000)	–	–
	2004B	2,000,000	–	–	–	2,000,000
Mr Lee Yu Leung (b)	2002A	2,000,000	–	(2,000,000)	–	–
	2004B	2,000,000	–	–	–	2,000,000
Mr Lin Hoi Kwong (c)	2003C	2,000,000	–	(2,000,000)	–	–
		10,000,000	–	(6,000,000)	–	4,000,000

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For the year ended 31 March 2006

39. Share options (Continued)

Notes:

(a) Mr Hon Ming Kong resigned as Director of the Company on 31 October 2005.

(b) Mr Lee Yu Leung resigned as Director of the Company on 31 October 2005.

(c) These share options were held by Mr Lin's wife and hence, he was deemed to be interested in it. Mr Lin Hoi Kwong held his directorate in the Company during the period from 6 December 2004 to 31 October 2005.

Details of specific categories of options are as follows:

Option type	Date of grant	Exercise period	Closing price immediately before/on the date of grant HK$	Exercise price per share HK$
2002A	1 February 2002	1 September 2002 to 31 August 2007	1.520	1.4944
2003C	3 May 2002	3 November 2002 to 2 November 2007	4.530	4.6200
2003D	14 May 2002	14 November 2002 to 13 November 2007	4.950	4.9600
2004A	28 July 2003	28 July 2003 to 27 July 2008	1.350	1.3500
2004B	27 August 2003	27 August 2003 to 26 August 2008	1.170	1.3060
2004C	16 January 2004	16 January 2004 to 15 January 2009	0.840	0.8520
2005A	1 April 2004	1 April 2004 to 31 March 2009	0.700	0.7000
2006A	2 August 2005	2 August 2005 to 1 August 2010	0.340	0.3520

Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

39. Share options (Continued)

The fair value of share options granted was calculated using The Black-Scholes pricing model as follows:

Date of grant	Share price	Exercise price	Based on expected life of share options	Expected volatility Hong Kong historical volatility of share prices	Expected Exchange Fund Notes rate	Annual divided yield
2 August 2005	0.335	0.352	5 years	95%	3.714%	0%

Expected volatility was determined by using the historical volatility of the Company's share price over the period from 2001 to 2005. The expected life used in the model has been adjusted, based on management's best estimation, for the effects of non transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expenses of HK$1,694,000 for the year ended 31 March 2006 (2005: HK$Nil) in relation to share options granted by the Company.

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For the year ended 31 March 2006

40. Reserves

The Company

	Share premium HK$'000	Share option reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2004	202,790	–	80,657	(97,015)	186,432
Net loss for the year	–	–	–	(93,224)	(93,224)
Share premium arising from issue of shares	8,379	–	–	–	8,379
Share issue expenses	(379)	–	–	–	(379)
At 31 March 2005	210,790	–	80,657	(190,239)	101,208
Net loss for the year	–	–	–	(131,647)	(131,647)
Share premium arising from issue of shares	23,174	–	–	–	23,174
Equity settled share-based transactions	–	1,694	–	–	1,694
Share issue expenses	(780)	–	–	–	(780)
At 31 March 2006	**233,184**	**1,694**	**80,657**	**(321,886)**	**(6,351)**

Note:

The contributed surplus of the Company represents the difference between the fair values of the underlying net assets of the subsidiaries at the date on which they were acquired by the Company and the nominal amount of the Company's shares issued under the corporate reorganisation of the Group.

41. Major non-cash transactions

As disclosed in notes 25(a) and 45, during the year, the Group disposed of two of its subsidiaries to China Science Conservational Power Limited ("CSCPL") for a consideration of HK$76,000,000 satisfied by CSCPL issuing 100,000,000 of its non-voting cumulative redeemable convertible preference shares to the Company at HK$0.76 per share.

42. Contingent liabilities

The Group had no material contingent liabilities as at 31 March 2006 and 2005.

The Company has executed guarantees in favour of the landlords of certain properties leased by a subsidiary for due performance of obligations under the tenancy agreements. As at the balance sheet date, the Group had no outstanding leasing commitments (2005: HK$228,000). The Company has also executed corporate guarantee to a bank in favour of a subsidiary to the extent of HK$5,000,000 and the related interest thereon.

43. Capital commitments

Capital commitments outstanding as at 31 March 2006 not provided for in the financial statements were as follows:

	2006 HK$'000	2005 HK$'000
Contracted for but not provided in the financial statements in respect of:		
– the construction for the waste incineration and processing plant in Dongguan, the PRC *(Note)*	–	70,267
– the acquisition of the cable cutting and testing equipment	75	–
	75	70,267
Authorised but not contracted for in respect of		
– the construction for the waste incineration and processing plant in Dongguan, the PRC	–	130,687
	75	200,954

Note:

The commitments were in respect of the Dongguan waste incineration and processing plant which was disposal of to a connected party in July 2005, further details of which were set out in the Company's circular dated 17 May 2005.

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44. Operating lease commitments

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2006 HK$'000	2005 HK$'000
Land and buildings:		
Operating lease which expire:		
– within one year	**654**	1,559
– in the second to fifth year inclusive	**–**	894
	654	2,453

Operating lease payments for land and buildings represent rentals payable by the Group for its office premises and employees' quarters. Leases are negotiated for an average term of two (2005: two) years.

45. Disposal of subsidiaries

As disclosed in note 25(a), in July 2005, the Group disposed of its holding of 100% and 51% in the equity interest of Hong Tong Hai Investments Limited and Dongguan China Sciences Conservational Power Co., Ltd. respectively to CSCPL. The consideration for the disposal was 100,000,000 non-voting cumulative redeemable convertible preference shares in CSCPL at HK$0.76 per share.

The net assets of subsidiaries disposed of at the date of disposal and the gain of disposal were as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment	578
Prepayments and other receivables	120,358
Bank balances and cash	584
Trade and other payables	(21,832)
Net assets disposed of	99,688
Minority interest	(49,162)
	50,526
Cumulative amount of exchange differences	(468)
Other	15
Gain on disposal of subsidiaries	25,927
Non-voting cumulative redeemable convertible preference shares received	76,000
Cash consideration received	–
Net outflow of cash and cash equivalents on disposal of subsidiaries:	
Bank balances and cash disposed of	(584)
Cash consideration received	–
	(584)

Notes to the Financial Statements

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46. Deferred taxation

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior reporting periods:

The Group

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At 1 April 2004	251	(249)	2
(Credit) charge to profit and loss for the year	(189)	189	–
At 31 March 2005	62	(60)	2
(Credit) charge to profit and loss for the year	(60)	60	–
At 31 March 2006	**2**	**–**	**2**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax relates to the same fiscal authority. The following is an analysis of the deferred tax balances for financial reporting purposes:

	2006 HK$'000	2005 HK$'000
Deferred tax liabilities	**2**	2
Deferred tax assets	**–**	–
	2	2

At 31 March 2006 the Group has unused tax losses of approximately HK$159,588,000 (2005: HK$115,000,000) available for offset against future profits. A deferred tax asset has been recognised for the year ended 31 March 2006 in respect of approximately HK$Nil (2005:HK$343,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses due to the unpredictability of future profit streams. Unrecognised tax losses may be carried forward indefinitely.

47. Pledged bank deposits

At 31 March 2006, the Group had pledged bank deposits of approximately HK$2 million (2005: HK$2 million) to secure certain bank facilities available to the Group.

In addition, the Group's bank overdrafts of HK$3,210,000 (2005: HK$8,490,000) as at the balance sheet date were secured on the securities held by the Group's margin loan borrowers.

48. Retirement benefits schemes

The Group has joined a Mandatory Provident Fund Scheme ("MPF Scheme") for all its employees. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group in respect of the MPF Scheme is to make the required contributions under the MPF Scheme

The group companies operating in the PRC have participated in defined contribution retirement schemes organised by the relevant local government authorities in the PRC. All PRC employees are entitled to an annual pension equal to a fixed portion of their ending basic salaries at their retirement dates. These group companies are required to make specific contributions to the retirement schemes at a certain rate of basic salary of its PRC employees and have no further obligation for post-retirement benefits beyond of the annual contributions made.

The amounts charged to the income statement represented contributions payable to the MPF Scheme by the Group at rates specified in the rules of the MPF Scheme.

49. Related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following significant related party transactions during the year:

(a) The Group received rental income of HK$230,000 (2005: HK$620,000) from Abba China Holdings Limited, which is a wholly owned subsidiary of China Sciences Conservational Power Limited of which Mr Hon Ming Kong and Mr Chan Tat Chee were directors and have beneficial interests.

(b) The Group paid rental expenses of approximately HK$631,000 (2005: HK$520,000) and building management fees of approximately HK$158,000 (2005: HK$137,000) to Major Glory Enterprises Limited in which a former substantial shareholder of the Company, Mr Lai Sai Sang had beneficial interests. Mr Lai Sai Sang is also a director of various subsidiaries of the Company.

(c) The Group paid rental expenses, building management fees and rates of approximately HK$795,000 (2005: HK$Nil) to Abba Entertainment Group Limited, of which Mr Chan Tat Chee has beneficial interests. Mr Chan Tat Chee was a former Director and Chairman of the Group.

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49. Related party transactions (Continued)

(d) During the year, the Group disposed of two subsidiaries to China Sciences Conservational Power Holdings Limited ("CSCPL"). This disposal constituted a major transaction for the Group under the Listing Rules. As CSCPL is deemed to be an associate of Mr Hon Ming Kong who was a Director and substantial shareholder and an associate of Mr Chan Tat Chee who is a Director and the Chairman of the Company, details of the disposal are set out in note 45 of the financial statements and the Company's circular to shareholders dated 17 May 2005.

50. Principal subsidiaries

Details of the Company's principal subsidiaries as at the 31 March 2006, all of which are wholly owned by the Company, unless otherwise stated, are as follows:

Name of subsidiary	Place of incorporation	Issued and fully paid share capital/ registered capital		Principal activities
		Ordinary/ registered	Deferred	
Brongham Park Limited	Hong Kong	HK$20	HK$1,000,000	Trading in diesel generating sets
China Legend International Limited	Hong Kong	HK$10,000	–	Investment holding
Ever Ace Investment Limited	Hong Kong	HK$2	–	Administrative centre and investment holding
Hong Tong Hai Consultants Limited	Hong Kong	HK$2	–	Investment holding
Hong Tong Hai Logistics Limited	The British Virgin Islands	US$100	–	Investments holding
Hong Tong Hai Securities Limited	Hong Kong	HK$21,000,000	–	Securities brokerage
Honsda (HK) Electronics Limited	Hong Kong	HK$1	–	Trading of electronic products
Jetcom Limited	The British Virgin Islands	US$1	–	Investment holding
MindGenius Secretarial Services Limited	Hong Kong	HK$10,000	–	Provision of company secretarial services

50. Principal subsidiaries (Continued)

Name of subsidiary	Place of incorporation	Issued and fully paid share capital/ registered capital Ordinary/ registered	Deferred	Principal activities
Oriental Overseas Group Limited	The British Virgin Islands	US$50,000	–	Investment holding
Sinogear Enterprises Limited	The British Virgin Islands	US$1	–	Investment holding
TopStar Enterprises (Holdings) Limited	The British Virgin Islands	US$1	–	Investment holding
Tribest Investments Limited	The British Virgin Islands	US$1	–	Investment holding
Yew Sang Hong (China) Limited	The British Virgin Islands	US$1	–	Investments holding
Yew Sang Hong (BVI) Limited	The British Virgin Islands	US$1	–	Investments holding
Yew Sang Hong Trading (China) Limited	Hong Kong	HK$2	–	Trading in electrical equipment and materials
Yew Sang Hong Building Services (Maintenance) Engineering Limited	Hong Kong	HK$2	–	Building maintenance
Yew Sang Hong Investment Services Limited	The British Virgin Islands	US$1	–	Investment holding
Yew Sang Hong Limited	Hong Kong	HK$20	HK$12,524,000 *(Note (d))*	Electrical engineering contracting
Yew Sang Hong Trading Limited	Hong Kong	HK$2	HK$2 *(Note (d))*	Trading in electrical equipment and materials

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50. Principal subsidiaries (Continued)

Name of subsidiary	Place of incorporation	Issued and fully paid share capital/ registered capital Ordinary/ registered	Deferred	Principal activities
Wellink Shipping Limited	Hong Kong	HK$2	–	Sea freight forwarding services
北京易行商盟在線網絡技術有限公司 *(Note (c))*	The PRC	US$300,000	–	Inactive

Notes:

(a) Other than Yew Sang Hong (BVI) Limited, Yew Sang Hong (China) Limited, Yew Sang Hong Investment Services Limited, Hong Tong Hai Logistics Limited and Oriental Overseas Group Limited which are directly held by the Company, all other companies are indirectly held by the Company.

(b) Other than those subsidiaries incorporated in the British Virgin Islands, whose place of operations are basically in Hong Kong, the places of operations of all other subsidiaries are the same as their places of incorporation.

(c) This subsidiary is 60% held by the Group and is a foreign investment enterprise established in the PRC. No management accounts were available to the Directors for the year ended 31 March 2006.

(d) The deferred shares are shares whose shareholders are neither entitled to receive notices, attend, vote at any general meetings nor to receive any dividend out of operating profit and have very limited rights on return of capital of the subsidiaries. The deferred shares are held by the former directors of the Company, Mr Lai Sai Sang and Ms Leung Sau Che, Jennifer, who have been granted options by the Group to acquire these deferred shares at nominal value.

(e) None of the subsidiaries had issued any debt securities at the end of the year.

(f) The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particular excessive length.

51. Financial risk management

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate and currency risk. These risks are limited by the Group's financial management policies and practices described below. Generally, the Group introduces conservative strategies on its risk management. The Group has not used any derivatives and other instruments for hedging purposes nor does it hold or issue derivative financial instruments for trading purposes.

(a) Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables, retention money receivable, progress payment receivable, loans receivable and investments held for trading.

The Group's credit risk is primarily attributable to its receivables. The amounts presented in the balance sheet are net of provisions for doubtful receivables. A provision for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

(b) Liquidity risk

The Group will consistently maintain a prudent financial policy and ensure that it maintains sufficient cash to meet its liquidity requirements.

(c) Fair value and cash flow interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As the Group has no significant interest-bearing assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

(d) Foreign exchange risk

The Group's main operations are in Hong Kong and has no significant exposure to any specific foreign currency other than Hong Kong dollars.

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51. Financial risk management (Continued)

(e) Fair values estimation

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

Fair value of securities is based on quoted market, prices or professional valuation at the balance sheet date without any deduction from transaction costs. Fair values for the unquoted equity investments are estimated using the applicable price/earning ratios for similar listed companies adjusted for the specific circumstances of the issuer.

The fair value of interest-bearing loans and borrowings and finance lease liabilities is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

52. Post balance sheet event

Three subsidiaries of the Group had been assessed profits tax charge by the Inland Revenue Department for the year of assessment 2004/05 by way of estimated assessments. The total amount of profits tax so assessed is HK$725,564.

The previous auditors, HLB Hodgson Impey Cheng, had obtained a legal opinion and refused to issue the audited financial statements for all the subsidiaries of the Group for year ended 31 March 2005. Without the audited financial statements, the Group was unable to lodge valid objections against the estimated assessments, despite the three subsidiaries not having any assessable profits for the year of assessment in question. The Group had no alternative other than to pay profits tax of HK$725,564 to the Inland Revenue Department.

53. Other matters

Incident occurred on 29 September 2005.

Background

On 29 September 2005, the Independent Commission against Corruption (the "ICAC") issued a press release in relation to the arrest of 22 individuals for alleged corruption over the misappropriation of funds from two listed companies. It was subsequently mentioned in certain press articles that several former Directors of the Company had been arrested. Certain records and documents of the Group have been seized by ICAC for the purpose of investigation. The Company's shares have been suspended for trading on the Stock Exchange since 29 September 2005.

As set out in the ICAC's website, *www.icac.org.hk* on 20 February 2006, Mr Chan Tat Chee and Mr Hon Ming Kong both were former Directors of the Company until 31 October 2005, were charged with alleged conspiracy to defraud the Company involving Company's funds totalling HK$13 million (the "Charges"). Mr Chan and Mr Hon were also involved alleged conspiracies to defraud Central China Enterprises Limited, later renamed as China Science Conservational Power Limited, a company listed on the Stock Exchange of Hong Kong Limited. The alleged offences took place between January 2004 and April 2005.

The Company is neither a party to any Charges nor is the Company in any way implicated under the Charges. Except for the above, there are no other legal proceedings known to the Company that might involve or concern the Company, nor its present or past officers in relation to the above event.

Measures taken by the Company

With a view to restore the creditability of the board of directors of the Company and safeguarding the interests of the Company, the Board has implemented the following measures:

(a) Changes in directorships

(i) On 4 October 2005, Mr Chan Tat Chee resigned as Chairman and was re-designated to a Non-Executive Director of the Company on the same date. He subsequently resigned as Non-Executive Director of the Company on 31 October 2005.

(ii) On 4 October 2005, Mr Hong Ming Kong and Mr Lee Yu Leung were re-designated from Executive Directors of the Company to Non-Executive Directors. Both of them subsequently resigned as Non-Executive Directors of the Company on 31 October 2005.

(iii) On 4 October 2005, Mr Loo Chung Keung, Steve was re-designated as an Executive Director and was appointed as Chairman of the Company. He subsequently resigned as Executive Director and Chairman of the Company on 26 October 2005.

Notes to the Financial Statements

For the year ended 31 March 2006

53. Other matters (Continued)

Measures taken by the Company (Continued)

(a) Changes in directorships *(Continued)*

(iv) On 4 October 2005, Mr Lin Hoi Kwong was appointed as Chief Executive Officer of the Company. He subsequently resigned as Chief Executive Officer of the Company on 31 October 2005.

(v) On 26 October 2005, Mr Szeto Chak Wah, Michael was appointed as the Chairman and an Executive Director of the Company. On 27 April 2006, he resigned as Chairman and an Executive Director of the Company.

(vi) On 26 October 2005, Mr Lai Man Leung was appointed as an Executive Director of the Company. On 27 April 2006, he resigned as an Executive Director of the Company.

(vii) On 27 October 2005, Mr Au Yeung Ka Cheung resigned as an Independent Non-Executive Director of the Company.

(viii) On 2 November 2005, Ms Law Mun Yee was appointed as an Independent Non-Executive Director of the Company. On 27 April 2006, she resigned as an Independent Non-Executive Director of the Company.

(ix) On 23 December 2005, Mr Au Tin Fung was appointed as an Independent Non-Executive of the Company. On 10 May 2006, he resigned as an Independent Non-Executive Director of the Company.

(x) On 23 December 2005, Mr Chong Yiu Kan, Sherman was appointed as an Independent Non-Executive Director of the Company. On 27 April 2006, he resigned as an Independent Non-Executive Director of the Company.

(xi) On 23 December 2005, Mr Yeung Kwok Leung was appointed as an Executive Director of the Company.

(xii) On 10 May 2006, Ms You Wei and Mr Ng Khai Wain were appointed as Executive Directors of the Company. Ms You Wei was appointed as the Chairman and Mr Ng Khai Wain was appointed as the Chief Executive Officer of the Company on 29 June 2006.

(xiii) On 10 May 2006, Mr Albert Ho, Mr Shane Phillips and Mr Cai Zhixu were appointed as Independent Non-Executive Directors of the Company.

(xiv) On 10 May 2006, Mr Tsoi Wai Kwong resigned as an Independent Non-Executive Director of the Company.

53. Other matters (Continued)

Measures taken by the Company (Continued)

(a) Changes in directorships *(Continued)*

Details of the above appointments, re-designation, resignations and changes in duties have been disclosed in announcements published by the Company.

(b) Formation of Management committee

On 4 October 2005, a management committee comprising Mr Loo Chung Keung, Steve, Mr Lin Hoi Kwong and Mr Kam Yiu Shing, Tony was formed to carry out the management functions of the Board of the Directors and to oversee and supervise the daily operation of the Company. The management committee was dissolved on 31 October 2005.

(c) Formation of a Special Board Committee

On 31 October 2005, a special board committee comprising Mr Szeto Chak Wah, Michael and Mr Lai Man Leung was formed to review the existing financial and business positions of the Group. The Special Board Committee was dissolved on 29 June 2006.

(d) Review of the financial affairs

On 13 December 2005, on the recommendation of the Special Board Committee, the Group appointed, CCIF CPA Limited, a firm of certified public accountants to conduct a review of the financial affairs of the Group for the period from 1 April 2005 to 31 December 2005.

(e) Response to the Charges

In respect of the Charges laid by the ICAC, as the proceedings are still ongoing, the Company considers it is inappropriate to make any comment thereon at this stage. If and when the Company obtains further information on the Charges, the Company may seek legal advice as to what appropriate steps it should take, after considering all relevant factors including the status of any legal proceedings ongoing at that time.

Based on the information available to the Company as at the date of this report, the Directors of the Company believe that the Charges would not have a significant adverse impact to the financial and trading position of the Group.

In the absence of further information about the Charges, the Directors of the Company are however unable to determine, on a reasonable and proper basis, the financial impact that might arise in respect of the Charges.

54. Comparative figures

Certain comparative figures were re-classified to conform with current year's presentation.

Five Year Financial Summary

	For the year ended 31 March				
	2006	2005	2004	2003	2002
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Turnover	**29,690**	102,427	166,243	199,722	106,217
(Loss) profit before taxation	**(131,092)**	(96,752)	(57,399)	(40,448)	2,669
Taxation	**(159)**	(36)	(86)	(113)	(1,784)
(Loss) profit before minority interests	**(131,251)**	(96,788)	(57,485)	(40,561)	885
Minority interests	**–**	2,412	287	6	–
Net (loss) profit for the year	**(131,251)**	(94,376)	(57,198)	(40,555)	885
(Loss) earnings per share (HK cents) Basic	**(28.5)**	(27.9)	(23.1)	(18.5)	0.5

	At 31 March				
	2006	2005	2004	2003	2002
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	**92,750**	244,723	283,818	235,342	155,180
Total liabilities	**(52,694)**	(55,624)	(64,171)	(51,536)	(49,396)
	40,056	189,099	219,647	183,806	105,784
Minority interests	**–**	(49,162)	(247)	(484)	–
Total equity	**40,056**	139,937	219,400	183,322	105,784