招商迪辰（亞洲）有限公司
China Merchants Dichain (Asia) Limited

To be named as*

東方明珠創業有限公司
Pearl Oriental Innovation Limited

(Stock Code : 0632)

ANNUAL REPORT 2006

*subject to approval at SGM to be held on 1st August, 2006

CONTENTS

DIRECTORS

Executive Directors:

Wong Yuk Kwan (alias: Wong Kwan) *(Chairman)*
Chan Yiu Keung
Cheung Kwok Yu
Lin Xizhong
Zheng Yingsheng
Zhou Li Yang

Non-executive Directors:

Robert Fung Hing Piu
Anwar Ibrahim*
Lee G. Lam*
Victor Yang*

* *Independent Non-executive Directors*

SOLICITORS

Hastings & Co.

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited
Shenzhen Commercial Bank

COMPANY SECRETARY

Yu Wai Kit

AUDITORS

CCIF CPA Limited

AUTHORISED REPRESENTATIVES

Wong Kwan
Cheung Kwok Yu

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal office:

Unit 3611, 36/F
West Tower, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

BERMUDA RESIDENT REPRESENTATIVE

John C.R. Collis

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE AND OTHER INFORMATION

For more information on the Company, please find us on the World-Wide-Web at *www.dichainasia.com*

To access the Company on Bloomberg, please type "632 HK".

FINANCIAL HIGHLIGHTS

	2006 HK$'000	2005 Restated HK$'000
For the year		
Turnover	75,157	34,145
Operating loss	(2,201)	(13,251)
Net loss attributable to shareholders	(78,276)	(19,574)
Loss per share		
Basic (cents)	(1.44)	(0.38)
Diluted (cents)	N/A	N/A
Average shareholders' equity	85,776	120,529
Average capital employed	89,470	134,940
At 31 March		
Total indebtedness	85,654	88,523
Shareholders' equity	53,707	125,186
Capital employed	53,707	125,232
Ratio		
Return on average capital employed (%)	(10%)	(14%)
Return on average equity (%)	(91%)	(16%)
Total debt to total capital (%)	61%	41%

Notes:

1. Total indebtedness = total bank borrowings

2. Capital employed = shareholders' funds + minority interests + non-current liabilities

3. Return on average capital employed = operating (loss) profit after tax and interest/average capital employed

4. Return on average equity = net (loss) profit attributable to shareholders/average shareholders' equity

5. Total debt to total capital = debt/(shareholders' funds + minority interests + debt)

2006 is a memorable year for China Merchants DiChain (Asia) Limited (the "Company" or "DiChain Asia") and all of its shareholders. After the announcement of 24 March regarding the change in the controlling shareholder of the Company, and the increase in share capital by issuing new shares, the new board of directors (the "Board") and the new management team were formed on 24 May, all of which represent DiChain Asia has initiated its new era.

For the year ended 31 March 2006, the turnover of the Group's traditional core business, the logistics operation, increased over 120% to HK$75 million, while the gross profits reached HK$21 million. Nevertheless, with respect to the receivables and goodwill brought forward by the former Board, the new Board has adopted a prudent financial approach to make a substantial one-off provision of bad debts and written-off of goodwill totalled HK$74 million, in addition to impairment of HK$5.5 million raised from property revaluation, that in aggregate amount to HK$79.5 million, resulting in a loss of HK$78 million for the year. The aforesaid provision and impairment do not affect the Group's cash flow position.

The new Board will implement all reasonable measures to recover the abovementioned receivables from the institutes and individuals related to the provision of bad debts in order to protect the interest of all shareholders as a whole.

I am appreciated and pleased to present to all shareholders the summary of the following important issues occurred around the end-date of the year:

1. With the change in its controlling shareholder, the Company has received a capital injection of HK$70 million, which increased the working capital of the Group and strengthened its overall financial capability.

2. The new Board has a number of newly-joined celebrities with valuable political and commercial experience, and extensive connections, including Dr. Anwar Ibrahim, the former Deputy Prime Minister and Minister of Finance of Malaysia. The joining of those executives and professionals shall consolidate the foundation of the fast development of the Group by quickly enhancing the standard of corporate governance of the Company.

3. The Company will change its name as "東方明珠創業有限公司Pearl Oriental Innovation Limited". It does not only reflect the confidence of the new management team and the controlling shareholder in our future, but also their determination and dedication to rebuild the golden age of the Group at their utmost effort.

4. In view of the limited supply but ever increasing demand of energy and resources in the world, the new Board will correspondingly formulate prompt and appropriate operation and investment strategies to capitalize any business opportunities arised, to sustain the development of the traditional logistic operation, as well as to timely expand into the new energy and resources business with high potential growth.

5. We have successfully cooperated with a renowned coal enterprise in Shanxi to set up a joint venture "China Coal Energy Holdings Limited" with only 45 days spent. We have agreed to invest around HK$400 million to acquire 40% equity interest of the joint venture. This strategic investment will contribute to the Group with a profit after tax of not less than HK$240 million in aggregate within the next 3 years from 2007, and with a guaranteed net dividend income of not less than HK$40 million each for the first two years. As such, the investment will be a profitable transaction to the Group.

Currently, the Group is in negotiation over certain projects in relation to energy and resources which can generate long-term and sustainable revenue for the Company. The new management team is confident that Pearl Oriental Innovation Limited will bring a promising future to us.

I wish to express my sincere appreciation to all shareholders for their continuous support, and thank for the effort and contribution of all staff. All in all, I look forward to sharing the fruitful success of the Group with all shareholders and staff in the coming future.

Yours faithfully,
Wong Kwan
Chairman and Chief Executive

Hong Kong, 26 July 2006

PROFILES OF DIRECTORS

Executive Directors

Mr. Wong Kwan (Chairman)

Aged 58, is currently the Chairman and chief executive of the Company, Mr. Wong is a veteran in the investment and property development fields and has over 30 years of experience in hotel management and investment, property investment and development, investment and operation in the healthcare business and telecommunications technology in Hong Kong, China and overseas. Mr. Wong is also well known in the Asian business world with extensive business connections in the Asia Pacific region. Mr. Wong was the executive director during the period from October 2003 to June 2005 and chairman and chief executive during the period from July 2004 to June 2005 of Honesty Treasure International Holdings Limited (formerly known as Pearl Oriental Enterprises Limited), shares of which are listed on the main board of the Stock Exchange of Hong Kong Limited.

Mr. Lin Xizhong

Aged 61, graduated from Beijing Foreign Studies University, has over 30 years of work experience in state-owned natural resources, mining and banking industries. Before joining our Group, Mr. Lin was the Senior Vice President of China Minmetals Corporation, Chief Executive Officer of China Minmetals H.K. (Holdings) Ltd, Vice President of Hong Kong First Pacific Bank Ltd and also the Chairman and Executive Director of two Hong Kong listed companies, namely Minmetals Resources Ltd (stock code: 1208) and Onfem Holdings Ltd (stock code: 230). Mr. Lin is currently a director of AXA Asia Pacific Holdings Limited, a company listed in Australia. Mr. Lin has extensive valuable experience in business operation and management.

Mr. Chan Yiu Keung

Aged 45, has over 22 years working experience in finance, investment and banking. He has held senior positions in the investment banking and private equity businesses of Standard Chartered Bank, Manufacturers Hanover and Citibank. He was involved in investment banking, corporate finance, private equity, capital markets and project finance, and has extensive experience in the Asia Pacific region and China. Mr. Chan obtained Master Degree of Business Administration from the Chinese University of Hong Kong, Bachelor Degree of Laws from University of London and Bachelor Degree of Arts from Hong Kong University. Mr. Chan is also a Chartered Financial Analyst. He is currently the advisor of Pearl Oriental Corporation Limited and is responsible for the investment strategy.

Mr. Cheung Kwok Yu

Aged 36, has over 15 years of experience with international accounting firms and law firms and listed companies in direct investment, accounting, legal, corporate finance and mergers and acquisitions. Mr. Cheung is a Chartered Financial Analyst charterholder and a professional accountant in Hong Kong, and is also qualified as a solicitor in Hong Kong. Mr. Cheung has a Master degree in Applied Finance from Macquarie University in Sydney and a Bachelor of Arts degree in Accountancy from Hong Kong Polytechnic University. Mr. Cheung is currently a director of Oriental Capital Innovation Limited.

Mr. Zhou Li Yang

Aged 47, is currently the Managing Director of the Company. Mr. Zhou is responsible for execution of the strategic development and daily operation of the Group. Mr. Zhou has substantial experience in listed company management, mergers and acquisitions, direct investment, corporate finance and fund management acquired from more than 10 years managerial and professional work experience for five listed companies, an investment fund and a banking institute of Hong Kong. He also has more than 10 years management working experience in a provincial government and a conglomerate of China. Mr. Zhou holds a Bachelor degree in Physics from Central-South University, PRC and a Master degree in Business/Finance from University of Baltimore, USA.

Mr. Zheng Yingsheng

Aged 45, has had over 23 years' working experience in logistics management and transportation operations. Mr. Zheng is responsible for overseeing the logistics business of the Group. He had worked for several sizeable and reputable transportation and logistics companies at senior management level being respectively in charge of land transportation, ocean cargo forwarding, warehouse management, fleet management and container terminal operations, etc. He is particularly experienced in transportation and logistics work flow and systems designs and management. Mr. Zheng holds a Bachelor of Economics degree in Marine Economics from School of Economics & Management, Shanghai Maritime University and a Diploma in Business Administration from Zhejiang University, the PRC.

Non-executive Director

Dr. Robert Fung Hing Piu

Aged 70, has been a director of Dransfield Holdings Limited since 1987. Dr. Fung holds degrees from the Harvard University in the USA and McGill University in Canada. He is the founding chairman of Hong Kong Committee of UNICEF and member of the Rotary Club of Hong Kong.

Independent Non-executive Directors

Dr. Anwar Ibrahim

Aged 58, is a well known international figure in politics and economics, is the former Deputy Prime Minister and Minister of Finance of Malaysia. Dr. Ibrahim has an extensive network in Europe, USA, Middle East and Asia Pacific. In 1998 Newsweek magazine named Dr. Ibrahim the "Asian of the Year." Dr. Ibrahim is currently a consultant on governance of World Bank (Washington, USA); Honorary President of Accountability (London, UK); and distinguished visiting professor at Georgetown University (Washington, USA).

Dr. Lee G. Lam

Aged 46, is a renowned top executive in business and financial sectors. Dr. Lam is the Director, Chief Executive Officer and Vice Chairman of Chia Tai Enterprises International Limited (Stock Code: 0121). Dr. Lam is an independent non-executive director of Capital Strategic Investment Limited (Stock Code: 0497), Far East Technology International Limited (Stock Code: 0036), Finet Group Limited (Stock Code: 8317), Hutchison Harbour Ring Limited (Stock Code: 0715), Mingyuan Medicare Development Company Limited (Stock Code: 0233), Vongroup Limited (Stock Code: 0318) and Rowsley Limited (Singapore-listed); and a non-executive director of Glorious Sun Enterprises Limited (Stock Code: 0393) and a director of True Corporation Public Company Limited (Thailand-listed). Dr. Lam has over 24 years of international management experience and has held important positions with a number of reputable companies including BOC International Holdings Limited, Singapore Technologies Telemedia, Hongkong Telecom and Bell Canada. As a Fellow of the Hong Kong Institute of Directors, Dr. Lam holds a B.Sc., an M.Sc., an M.B.A., a post-graduate diploma in public administration, a post-graduate diploma in English and Hong Kong law and a Ph.D.

Mr. Victor Yang

Aged 61, is presently a partner with Messrs. Boughton Peterson Yang Anderson, Solicitors, Hong Kong SAR and he is also a qualified lawyer in Canada and the United Kingdom. Mr. Yang has over 32 years' practices primarily in the areas of corporate finance and commercial law, mergers, acquisitions and taxation. Mr. Yang has been a director of various publicly listed companies in Canada, Singapore, United States of America and HK SAR.

PROFILES OF SENIOR MANAGEMENT

Financial Controller and Company Secretary

Mr. Yu Wai Kit

Aged 40, is currently a member of Australian Society of Certified Practising Accountants and a member of Hong Kong Institute of Certified Public Accountants. Mr. Yu has over 17 years experience in accounting and auditing fields and has 4 years experience as company secretary for listed companies in Hong Kong.

Logistics

Mr. Zhang Wei

Aged 48, is the General manager of DiCHain Logistics Service (Shenzhen) Co., Ltd.. Mr. Zhang has extensive experience in administration and has worked for the China Merchants Group companies for a number of years. Before joining DiChain Logistics Service (Shenzhen) Co., Ltd., he has been the administrative controller of Shenzhen Mingdu Hotel. Mr. Zhange holds a bachelor degree in Water Carriage Management from Shanghai Maritime Transportation University in the PRC.

Mr. Fred Wu

Aged 35, is the Managing Director of Guangzhou DiChain Logistics Co., Ltd.. Mr. Wu graduated from The China University of Geology. He has been the operating manager of ST-ANDA and logistics director of ECS Technology. He has extensive practical experience in logistics operation. Mr. Wu was one of the founders of Guangzhou DiChain Logistics Co., Ltd.

With the completion of the Subscription Agreements, a new Management team headed by Mr. Wong Kwan joined the Board on 24 May 2006. Members of the new Management include internationally renowned executives and professionals all with valuable investment and management experiences and extensive international business connections.

The new Board of Directors of the Company presents the first annual results of the Group for the year ended 31 March 2006 following the successful changeover of the major shareholder of the Company completed in May 2006.

REVIEW OF OPERATIONS

The Group is principally engaged in operating bonded warehouse, provision of logistics and related services and logistics related property investment.

Since 2004 the Group has focused its long-term development plan in the global logistics industry and deployed extensive resources in expanding its logistics network. With successful effort and commitment of the Management, the performance of the logistics services of the Group has been encouraging while both the bonded warehouse and domestic logistics operations recorded remarkable growth.

Bonded warehouse

DiChain Logistics Services (Shenzhen) Co Ltd ("DiChain Logistics") is a wholly-owned subsidiary of the Group, is engaged in providing bonded warehouse logistics services. Located in the Futian Bonded Trade Zone, DiChain Logistics offers fast, convenient, and reliable logistics management services ranging from storage, transportation, merchandise display, wholesale mart, repair and maintenance services, to repacking and distribution for bonded goods.

With a total investment of HK$135 million, DiChain Logistics owns a bonded warehouse with a gross floor area of 28,125 square meters and a storage capacity of 43,200 cubic meters. The modern warehouse consists of six 3-dimensional chambers of various stacking heights, including a 15-meter-high vertical pallet-racking, with a 4,600-square meter air-conditioned area and a 15,000-square meters general storage area. The seven-story building is well equipped with high quality exhibition and conference facilities, offices, a wholesale mart, service workshops and a repackaging center to provide integrated logistics services to customers.

With a fast and sustained growth of the economy and increasing demand for cross-border bonded warehousing and logistics services, the Group was once again able to record a notable increase of 33% in its bonded warehouse revenue.

REVIEW OF OPERATIONS (Continued)

Bonded warehouse (Continued)

During the year, the Management had taken various measures to expand its services scope and secure its quality customers, including P&G, LG, Siemon, Konka, Skyworth, TCL and etc. The Group continues its aim for higher profit margin with the acquisition of additional quality customers and covering high-valued industries such as IT and fast moving consumer goods ("FMCG") industries, who have high requirements for integrated and better quality logistics services for their high value goods.

To further strengthen its well-established client network, the Group has launched tailor-made cross-border services for its customers, including the enhancement of its value added services, such as repacking services for its major well known FMCG and other customers located in Hong Kong.

Presently, the overall utilization rate of the Group's bonded warehouse is at a healthy rate of approximately 80%. The Group has also successfully boosted its delivery and logistics related income of its bonded warehouse, which are not limited by the occupancy levels of the bonded warehouse.

Domestic logistics services

To align with its strategic mission to provide an integrated logistics services, the Group endeavored to expand its domestic logistics operations and networks from the time when it acquired the Guangzhou DiChain Logistics Company Limited ("Guangzhou DiChain") and Jiangxi DiChain Logistics Company Limited ("Jiangxi DiChain") in November 2004.

Established in early 2001, Guangzhou DiChain is a premier domestic logistics services provider in the PRC, which offers a total integrated logistics solution with value added services along the whole spectrum of the supply chain. Services provided by Guangzhou DiChain include warehousing, transportation, delivery and other value added services through internal and external facilities and network. Guangzhou DiChain is equipped with advanced logistics facilities, state-of-the-art logistics IT software and systems, and a nation-wide service network. Its major customers include Amway, Wal-mart, Panasonic Electronics, Jianlibao, Loreal, TCL, Wanglaoji, Yaqian and Yile Dairy.

The Group's nationwide logistics services cover the major economically affluent areas in the PRC, including Beijing, Tianjin, Harbin, Changchun, Taiyuan, Jinan, Shanghai, Nanjing, Guangzhou, Shenzhen, Wuhan, Zhengzhou and Chengdu.

REVIEW OF OPERATIONS (Continued)

Domestic logistics services (Continued)

The performance of the Group's domestic logistics services is remarkable. During the year under review, revenue generated from domestic logistics services surged to nearly HK$52 million, which accounted for approximately 70% of the total turnover of the Group. With the support from major customers and business partners, the Management expects that this business segment will continue to make great contribution to the growth of the Group in the future.

Discontinued operation

During the year, the Group has disposed of all of its shareholdings in Dransfield Holdings Limited ("DHL") and certain subsidiaries. Upon the completion of the disposal of the non-performing operation, the Group recorded a gain on disposal of subsidiaries amounted to approximately HK$11.5 million.

Share consolidation

To concord the recent trend and development of both international capital markets and stock market in Hong Kong, the Company completed a 50 to 1 share consolidation on 22 May 2006. The Directors expect the share consolidation will further enhance the image of the Company and may attract investments from potential international investors, who normally have better appetite for high-value stocks.

Share subscription

In January 2006, the Company was informed by its PRC lawyers of a litigation lodged against the Company and DiChain Logistics by Guangdong Development Bank, Shenzhen Xiangmihu Branch ("GD Bank") in relation to a default on repayment of a loan of approximately HK$28.8 million granted by GD Bank to DiChain Logistics. Prior to this, the Directors were confident that the bank loan could be renewed as the Group was successfully renewed in the previous year. Since the Group did not expect the demand of immediate repayment of the bank loan and was unable to repay the bank loan as requested, litigation against the Company has been lodged by GD Bank. With the immediate need to relieve the Group's tight cash position and possible financial difficulties, which might be prompted from the litigation, the Group required a larger capital base and additional financial capabilities to meet the Group's funding needs. In this regard, the Company has entered into agreements to issue Subscription Shares, Convertible Notes and Options with Orient Day Developments Limited ("Orient Day") in February 2006 which, if fully exercised, would raise gross proceeds of HK$40 million, HK$30 million and HK$10 million for the Company respectively. Upon completion of the Subscription Agreements and issue of Convertible Notes in May 2006, the Company raised net proceeds of approximately HK$69.6 million approximately, HK$30.0 million of which had been used for the settlement of the litigation. Upon the completion of the Subscription in May 2006, Orient Day has become the largest shareholder of the Company, with a shareholding of 42.38% in the Company.

REVIEW OF OPERATIONS (Continued)

Share subscription (Continued)

On 13 June 2006, the Company received a notice from Orient Day to convert all the Convertible Notes at the conversion price of HK$0.5 per consolidated share (being adjusted conversion price after the Company's share consolidation completed on 22 May 2006). As a result of the conversion, a total of 60,000,000 consolidated shares (being the adjusted number of conversion shares after the share consolidation) of HK$0.5 each were issued, representing approximately 31.78% of the issued capital of the Company on the date of the conversion.

After the completion of the Subscription Agreements and the conversion of Convertible Notes and as at the Latest Practicable Date, Orient Day holds 57% of equity interest in the Company and the total equity of the Group has increased to approximately HK$124 million.

Litigation

As disclosed in the announcements of the Company dated 1 February 2006 and 24 February 2006 and in the section of "Share Subscription", a litigation has been lodged against the Company and DiChain Logistics, a subsidiary of the Company, by GD Bank in relation to a default on repayment of a loan of approximately HK$28.8 million granted by GD Bank to DiChain Logistics. Subsequent to the share subscription by and issue of convertible notes to Orient Day, the bank loan was fully repaid on 21 June 2006.

New business development

To increase the shareholders' value and return, the new Management has been actively exploring new business opportunities for the Group especially in the Energy and Natural Resources sectors due to the strong growth in the market demand.

REVIEW OF OPERATIONS (Continued)

New business development (Continued)

On 15 July 2006, the Company entered into a conditional agreement with an independent third party (the "Vendor") to set up a joint venture – China Coal Energy Holdings Limited in Hong Kong ("CCEH" or the "JV"). The Company has agreed to acquire 40% of the issued share capital of the CCEH for a total consideration of HK$395.62 million, of which HK$100 million will be paid in cash and the balance will be satisfied by the issue and allotment of new shares in the Company. After completion of the transaction, the JV will own a coal mining area of approximately 5 square kilometers through its subsidiaries located in Shanxi, PRC. The coal mine has total coal reserves of approximately 67.5 million tons and recoverable coal reserves of approximately 27 million tons. According to terms of the agreement, the Vendor has guaranteed to the Company that the Audited Net Profit for the three financial years ending 31 December 2009 shall in aggregate be not less than HK$600 million. Therefore the profit-sharing entitled by the Company will not be less than HK$240 million within the next 3 years. The Vendor has further guaranteed to the Company that the dividend of the JV to be paid to the Company for each of the financial years ending 31 December 2007 and 31 December 2008 will not be less than HK$40 million. The New Management believes that the investment in the JV will generate long term and very stable income for the Group. Details of the transaction are disclosed in the announcement of the Company dated 20 July 2006.

RESULTS

For the year ended 31 March 2006, the Group recorded a turnover of HK$75,157,000 (2005: HK$34,145,000) and a net loss of HK$78,276,000 (2005: HK$19,574,000). Loss (basic) per share for the year was HK1.44 cents (2005: HK0.38 cents).

The overall increase in turnover for the Group was a direct result from the continuing improvement of its bonded warehouse operation and the consolidation of its domestic logistics operation.

The net loss of the year was mainly resulted from the provision for doubtful debts totalling HK$72,300,000.

RESULTS (Continued)

Revenue

The total revenue of the Group for the year ended 31 March 2006 increased to HK$75 million. During the year, the logistics operation was the only major source of revenue generated by the Group.

The performance of logistics services of the Group has been encouraging and the revenue generated from the logistics operation increased approximately by 120% as compared to that of the previous year. The increase was attributable in part to the higher revenue contribution from its Futian bonded warehouse operation and the consolidation for the revenue generated from Guangzhou DiChain and its subsidiary.

Loss for the year

The Group reported a net loss attributable to shareholders of HK$78,276,000, which resulted mainly from the provision for doubtful debts totaled to HK$72,300,000.

Dividend

The Directors do not recommend the payment of a dividend for the year (2005: Nil).

Impairment loss of deposit and other loans receivable

During the year under the supervision of the former board members and management, the Group has made a deposit of HK$42 million (2005: Nil) and a loan of HK$18 million in accordance with an Asset Transfer Deposit Agreement (資產轉讓預付款協議) (the "Deposit Agreement") and a Loan Agreement both dated 27 September 2005 entered into between the Company and Hero Vantage Limited. Pursuant to the Deposit Agreement, the Company shall acquire from Hero Vantage Limited certain logistics assets on condition that, inter alia, Hero Vantage Limited shall have acquired and become the legal owner of the relevant logistics assets (the "Condition Precedent") in Yixing, the PRC. If the Condition Precedent is not fulfilled within 12 months after the date of the Deposit Agreement, the deposit shall be refunded in full to the Company within 3 months thereafter with interest thereon to be calculated at the rate of 5% per annum.

After the completion of the Subscription Agreements on 24 May 2006, the change of controlling interest in the Company and the formation of the New Board and management team on the same date, the above matters have been considered very important. Enquiries have been made with former board members and management and those relevant parties involved in the above matters but the information available to the New Board, as at the Latest Practicable Date, was inadequate for ascertaining the recoverability of both the deposit and the loan. Therefore the New Board has made a decision to make full provision for both the deposit and the loan totaling HK$60 million.

RESULTS (Continued)

Impairment loss of deposit and other loans receivable (Continued)

In addition, the New Board has also decided to make full provision for two loans receivable totaled HK$12.3 million. The New Board considers the provision necessary based on the information available as at the Latest Practicable Date.

The Company will continue to take all possible further steps to recover the deposit, the loan and the loans receivable and will seek legal advice in order to protect the interests of the Company and the Shareholders.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group generally finances its operations with internally generated resources and bank facilities granted by principal bankers in PRC. Total assets of the Group at the time of close of fiscal 2006 amounted to HK$157 million (2005: HK$243 million), whereas the net asset was reduced by 57% to HK$54 million (2005: HK$125 million).

Subsequent to the end of the financial year, 140,000,000 consolidated shares (being adjusted after the Company's share consolidation completed on 22 May 2006) were issued in pursuant to the share subscription and conversion of convertible notes of Orient Day. The aggregate proceeds of the transactions before expenses amounted to HK$70 million of which approximately HK$30 million has been applied to settle the bank loan granted by GD Bank while the remaining has been applied to the working capital of the Company.

The Group's cash and bank balances as at balance sheet date were approximately HK$1.8 million (2005: HK$4.2 million). The current ratio (calculated on the basis of the Group's current assets over current liabilities) as at 31 March 2006 was 0.41 (2005: 1.02).

As at 31 March 2006, the Group's gearing ratio was 55% (calculated on the basis of the Group's bank borrowings over total assets), which compared with 37% as at 31 March 2005. At year-end date, the Group's total bank borrowings amounted to HK$86 million, which was secured by certain properties of the Group located in PRC. After the completion of the Share Subscriptions in May 2006 and the conversion of Convertible Notes in June 2006, the Company raised additional working capital of HK$70 million which has substantially improved the overall financial position and the financial ratios of the Company.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE (Continued)

The Group conducted its business transactions principally in Renminbi, Hong Kong dollars, or in the local currencies of the operating subsidiaries. The Directors considered that the Group had no significant exposure to foreign exchange fluctuations and believed it was not necessary to hedge any exchange risk. Nevertheless, the Management will continue to monitor the foreign exchange exposure position and in the future will take appropriate prudent measures, whenever it deems necessary.

CONTINGENT LIABILITY

As at 31 March 2006, approximately HK$87 million (2005: HK$85 million) of guarantee was given by the Company to banks in respect of banking facilities granted to a subsidiary of the Company. The extent of such facilities utilized by the subsidiary at 31 March 2006 amounted to approximately HK$86 million (2005: HK$85 million). Subsequent to the capital injection exercise completed in May 2006, the Company received a capital injection of HK$70 million, of which approximately HK$28.8 million was immediately applied to settle a bank loan and as at the Latest Practical Date, the guarantee of the Company has substantial reduced to approximately HK$58.9 million.

ASSETS PLEDGED

Assets with an aggregate carrying value of approximately RMB110 million were pledged with banks as security for loan facilities granted to the Group.

EMPLOYEES

As at 31 March 2006, the number of employees of the Group was 286. The remuneration packages of employees are maintained at competitive levels and include monthly salaries, mandatory provident fund, medical insurance and share option schemes; other employee benefits include meal and traveling allowances and discretionary bonuses.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 21 June 2002, which enables the Company to grant share options to eligible persons as an incentive or reward for their contribution to the Group. The terms of the share option scheme fully comply with the provisions of Chapter 17 of the Listing Rules. Options for 7,770,000 consolidated shares had been granted under the scheme during the year.

PROSPECTS

Looking ahead, the Group will continue to develop its logistics business, which remains one of the core businesses of the Group. The development strategy of the logistics business of the Group is to become a leading integrated logistics service provider in the Great China area by expanding its existing logistics service scopes with higher profit margin, service region coverage and logistics network. In addition to its organic growth in logistics, the Group will explore new opportunities of mergers and acquisitions in PRC to achieve synergy and strengthen its strategic position in the industry.

To further increase the shareholders' value, the Company has been actively exploring new business opportunities for the Group. On 15 July 2006, the Company has entered into a conditional agreement to acquire 40% equity interest in China Coal Energy Holdings Limited for a total consideration of HK$395.6 million. In view of the limited supply but ever increasing demand of natural resources and energy in the world, the Board is optimistic about the future prospect of the natural resources and energy industries. The Board is confident that with the strengthened financial positions of the Company, the Group's investment strategy will deliver satisfactory returns to its shareholders in the coming future.

The directors present their annual report and the audited financial statements for the year ended 31 March 2006.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 28 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 33.

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

PROPERTY, PLANT AND EQUIPMENT

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

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 March 2006, no aggregate amount of distributable reserves was available for distribution to equity shareholders of the Company.

SHARE CAPITAL

Details of the movements during the year in the share capital of the Company are set out in notes 27 to the financial statements.

DIRECTORS

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

Executive directors:

Zheng Yingsheng	
Zhou Li Yang	
Wong Kwan	(appointed on 24 May 2006)
Chan Yiu Keung	(appointed on 24 May 2006)
Cheung Kwok Yu	(appointed on 24 May 2006)
Lin Xizhong	(appointed on 13 June 2006)

DIRECTORS (Continued)

Executive directors: (Continued)

Fan Di	(resigned on 24 May 2006)
Chen Gang (alternate to Fan Di)	(appointed on 23 December 2005 and resigned on 24 May 2006)
Li Xinggui	(resigned on 31 December 2005)
Wu Shiyue	(resigned on 30 August 2005)

Non-executive directors:

Robert Fung Hing Piu	
Wang Shizhen	(resigned on 24 May 2006)

Independent non-executive directors:

Victor Yang	
Anwar Ibrahim	(appointed on 24 May 2006)
Lee G. Lam	(appointed on 24 May 2006)
Iain Ferguson Bruce	(resigned on 24 May 2006)
Barry John Buttifant	(resigned on 24 May 2006)

In accordance with Clauses 86 and 87 of the Company's Bye-Laws, Messrs. Wong Kwan, Lin Xizhong, Chan Yiu Keung, Cheung Kwok Yu, Anwar Ibrahim and Lee G. Lam will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. All other remaining directors continue in office.

Each of Wong Kwan, Chan Yiu Keung, Cheung Kwok Yu, Anwar Ibrahim and Lee G. Lam has entered into a service agreement with the Company for a period of two years commencing 24 May 2006 and Lin Xizhong has entered into a service agreement with the Company for a period of two years commencing 13 June 2006. Fan Di and Wu Shiyue resigned as director of the Company on 24 May 2006 and 30 August 2005 respectively and their service agreements were terminated simultaneously.

Other than as disclosed above, no director being proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS’ INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 March 2006, the interests of the directors and their associates in the shares, underlying shares and convertible bonds of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions

(a) Ordinary shares of HK$0.01 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Chen Gang	Beneficial owner	12,360,000	0.23%
	Held by spouse *(Note 1)*	50,800,000	0.93%
		63,160,000	1.16%
Robert Fung Hing Piu	Beneficial owner	4,305,437	0.08%
	Held by controlled corporation *(Note 2)*	60,000,000	1.10%
	Held by trust *(Note 3)*	63,604,530	1.17%
		127,909,967	2.35%
Iain Ferguson Bruce	Beneficial owner	5,000,000	0.09%
Barry John Buttifant	Beneficial owner	1,000,000	0.02%

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (Continued)

(b) Share options

Name of director	Capacity	Number of options held	Number of underlying shares
Fan Di	Beneficial owner	82,000,000	82,000,000
Zheng Yingsheng	Beneficial owner	51,500,000	51,500,000
Zhou Li Yang	Beneficial owner	20,500,000	20,500,000
Wang Shizhen	Beneficial owner	7,000,000	7,000,000
Robert Fung Hing Piu	Beneficial owner	3,500,000	3,500,000
Iain Ferguson Bruce	Beneficial owner	3,500,000	3,500,000
Barry John Buttifant	Beneficial owner	3,500,000	3,500,000
Victor Yang	Beneficial owner	2,000,000	2,000,000

Notes:

1. Chen Gang is deemed to be interest in 50,800,000 ordinary shares of the Company, being the interest held beneficially by his spouse.

2. The shares are held by First Horizon Limited, which is 100% owned by Robert Fung Hing Piu. Therefore, Robert Fung Hing Piu is deemed to be interested in these shares.

3. Robert Fung Hing Piu is deemed to be interested in 63,604,530 ordinary shares of the Company as he is one of the trustees of Sir Kenneth Fung Ping Fan Foundation Trust I, a charitable foundation.

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 March 2006.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Details of the share option schemes of the Company, in which the directors of the Company are entitled to participate, are set out in note 30 to the financial statements. The Company granted 388,500,000 share options during the year, and the remaining 24,656,500 share options could be granted under the Company's share option scheme.

The closing prices of the Company's shares immediately before 6 April 2005, 29 August 2005 and 17 February 2006, the dates of grant, were HK$0.067, HK$0.062 and HK$0.025 respectively.

The directors of the Company are of the view that the value of the theoretical value of the options granted during the year depends on a number of variables which are either difficult to ascertain or can only be ascertained on a number of theoretical basis and speculative assumptions. Accordingly, the directors of the Company believe that any calculation of the value of the options will not be meaningful and may be misleading to shareholders of the Company in the circumstances.

Other than as disclosed above and in note 30, at no time during the year was the Company, its holding company, or any of its fellow subsidiaries or subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors, their spouses or children under the age of 18, had any right to subscribe for the securities of the Company or had exercised any such right during the year.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance, to which the Company, its holding company, or any of its fellow subsidiaries or 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.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that, as at 31 March 2006, other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long positions

Name of substantial shareholder	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of the Company
Farsight *(Note)*	Beneficial owner	63,854,189	1.17%
	Interest in corporation	982,368,894	18.07%
			19.24%
DiChain Holdings	Beneficial owner	982,368,894	18.07%
Smooth Development Investments Limited	Beneficial owner	1,100,000,000	20.23%
Sunny State Investments Limited	Beneficial owner	333,330,000	6.13%

Note: Farsight is interested in more than one-third of the voting shares of DiChain Holdings and is deemed to be interested in the 982,368,894 shares in the issued share capital of the Company beneficially owned by DiChain Holdings.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 March 2006.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The Company considers all of the independent non-executive directors are independent.

EMOLUMENT POLICY

The emolument policy regarding the employees of the Group is set up by the Remuneration Committee and is based on their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 30 to the financial statements.

PRE-EMPTIVE RIGHTS

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

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

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's largest customers and five largest customers taken together accounted for 17% and 53% respectively of the Group's total sales for the year.

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers taken together accounted for 16% and 34% respectively of the Group's total purchases for the year.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

SUFFICIENCY OF PUBLIC FLOAT

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

POST BALANCE SHEET EVENT

Details of the post balance sheet event of the Group are set out in note 35 to the financial statements.

AUDITORS

During the year, Messrs. Deloitte Touche Tohmatsu, who acted as auditors of the Company for the past four years resigned and CCIF CPA Limited were appointed as auditors of the Company. A resolution will be submitted to the annual general meeting of the Company to re-appoint the auditors, CCIF CPA Limited.

On behalf of the Board

Wong Kwan
CHAIRMAN
26 July 2006

CORPORATE GOVERNANCE PRACTICES

The board of Directors of the Company (the "Board") is committed to achieving high standard of corporate governance.

In the opinion of the Board, the Company has complied throughout the year ended 31 March 2006 (the "Year") with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), which was in force on 1 January 2005, save for the following:

(a) The Chairman and the Managing Director are not subject to retirement by rotation pursuant to Bye-laws of the Company.

(b) Independent Non-Executive Directors of the Company were appointed without specific term as they were subject to retirement by rotation in accordance with the Bye-laws of the Company.

(c) Pursuant to Bye-law 87(1) of the Company, at each annual general meeting one-third of the Directors for the time being, (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation provided that, the Chairman of the Board and/or the Managing Director of the Company shall not whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model code and the code of conduct regarding securities transactions by directors adopted by the Company throughout the year ended 31 March 2006.

BOARD OF DIRECTORS

The Board is collectively responsible for the oversight of the management of the business and affairs of the Group with the objective of enhancing shareholders value. It is responsible for the formulation and the approval of the Group's development and business strategies and policies, approval of annual budgets and business plans, and supervision of management in accordance with the governing rules. The management of the Company is responsible for the oversight of the realization of the objectives set by the Board and the day-to-day operations of the Group.

As at 31 March 2006, the Board comprises nine members (including one alternate director), four of whom are executive directors (including one alternate director), two are non-executive directors and three are independent non-executive directors. More than one-third of the Board is independent non-executive directors and more than one of them have appropriate professional qualifications or accounting or related financial management expertise.

Each of the independent non-executive directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all independent non-executive directors to be independent under the guidelines set out in Rule 3.13 of the Listing Rules.

During the Year, six board meetings have been held, the attendance of each Director, on named basis and by category at Board meetings, Board committee meetings is set out below:

	Meetings attended/held	
	Board Meetings	**Audit Committee Meetings**
Executive Directors:		
Fan Di *(Chairman & CEO) (Note 1)*	2/6	N/A
Chen Gang *(alternate to Fan Di) (Notes 1 & 4)*	3/3	N/A
Li Xinggui *(Note 2)*	4/4	N/A
Wu Shiyue *(Note 3)*	0/1	N/A
Zhou Li Yang	6/6	N/A
Zheng Yingsheng	5/6	N/A
Non-executive Directors:		
Robert Fung Hing Piu	5/6	N/A
Wang Shizhen *(Note 1)*	0/6	N/A
Independent Non-executive Directors:		
Barry J Buttifant *(Members of Audit Committee) (Note 1)*	4/6	3/3
Iain F Bruce *(Chairman of Audit Committee) (Note 1)*	3/6	2/3
Victor Yang *(Members of Audit Committee)*	3/6	2/3

Notes:

(1) Resigned on 24 May 2006.

(2) Resigned on 31 December 2005.

(3) Resigned on 30 August 2005.

(4) Appointed on 23 December 2005.

To the best knowledge of the Board, there is no relationship (including financial, business, family or other relationship) among members of the Board as at 31 March 2006. All of them are free to exercise their individual judgments.

Chairman and Chief Executive Officer

For the Year, Dr. Fan Di, the Chairman and Mr. Zhou Li Yang, the Managing Director, had segregated and clearly defined roles.

Non-executive Directors

None of the existing non-executive directors of the Company for the Year was appointed for a specific term. This constitutes a deviation from the code provision A.4.1 of the CG Code. However, one-third of the directors of the Company are subject to the retirement by rotation at each annual general meeting under the Bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are similar to those in the CG Code.

Remuneration of Directors

On 14 February 2006, the Board has approved to establish of a Remuneration Committee and the Remuneration Committee was established on 13 June 2006. The Remuneration Committee has 3 members, comprising Messrs. Victor Yang, Anwar Ibrahim and Lee G. Lam, all independent non-executive directors. The Remuneration Committee is chaired by Mr. Victor Yang.

The Remuneration Committee is responsible for making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

Nomination of Directors

The Company does not have a Nomination Committee. The Board as a whole is responsible for the procedure of agreeing to the appointment of its members and for nominating appropriate person for election by shareholders at the annual general meeting, either to fill a casual vacancy or as an addition to the existing directors.

The notice of annual general meeting contains detailed information on election of directors including detailed biography of all directors standing for election or re-election to enable shareholders to make an informed decision on their election.

Auditors' Remuneration

During the year, fees paid to the Company's external audits for audit services totaled HK$671,000, compared with HK$799,000 in the previous year.

AUDIT COMMITTEE

As at 31 March 2006, the Audit Committee comprises the three independent non-executive directors, namely Mr. Iain F Bruce (Chairman of the Audit Committee), Mr. Barry J Buttifant and Mr. Victor Yang. The Audit Committee held three meetings during the year. The Audit Committee is provided with sufficient resources to discharge its duties. The terms of reference of the Audit Committee follow the guidelines set out in the CG Code. The principal duties of the Audit Committee include the review of the financial reporting and internal control system of the Group, review of half-yearly and annual reports and accounts, review and monitor the appointment of the auditors and their independence.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the financial statements of the Company and ensure that they are prepared in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of such financial statements.

The statement of the external auditors of the Company, CCIF CPA Limited, with regard to their reporting responsibilities on the Company's financial statements is set out in the Auditors' Report on page 31.

CCIF

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

AUDITORS' REPORT TO THE SHAREHOLDERS OF
CHINA MERCHANTS DICHAIN (ASIA) LIMITED
(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

We have audited the financial statements on pages 33 to 103 which have been prepared in accordance with accounting principle generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

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

BASIS OF OPINION

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

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

OPINION

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

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

Chan Wai Dune, Charles
Practising Certificate Number P00712

For the year ended 31 March 2006

	Notes	2006 HK$'000	2005 Restated HK$'000
Turnover	*3 &15*	**75,157**	34,145
Cost of sales		**(54,207)**	(21,695)
Gross profit		**20,950**	12,450
Other revenue and net income	4	**9,131**	6,713
Selling and distribution expenses		**(4,732)**	(2,723)
General and administrative expenses		**(27,550)**	(25,691)
Compensation to a former director of a subsidiary of the Group	5	**–**	(4,000)
(Loss) from operations		**(2,201)**	(13,251)
Finance costs	6a	**(6,138)**	(5,473)
Finance lease charges	6a	**(17)**	(13)
Gain on disposal of subsidiaries	7	**11,478**	431
Impairment loss of deposit and other loans receivable	*8*	**(72,300)**	(174)
Impairment loss of buildings	16	**(5,468)**	–
Impairment loss of goodwill	18	**(1,884)**	–
Loss on disposal of discontinued operation	9	**–**	(156)
Loss on disposal of an associate		**–**	(2,346)
Share of results of an associate		**–**	1,826
(Loss) before taxation	*6*	**(76,530)**	(19,156)
Income tax	*10*	**(1,039)**	(435)
(Loss) for the year		**(77,569)**	(19,591)
Attributable to:			
Equity shareholders of the Company	*13 & 27*	**(78,276)**	(19,574)
Minority interests	*27*	**707**	(17)
(Loss) for the year		**(77,569)**	(19,591)
(Loss) per share	*14*		
Basic – Continuing operations		**(1.44) cents**	(0.37) cents
– Discontinued operation	*14*	**–**	(0.01) cents
		(1.44) cents	(0.38) cents
Diluted		**N/A**	N/A

The notes on pages 41 to 103 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 March 2006

	Notes	2006 HK$'000	2005 Restated HK$'000
Non-current assets			
Fixed assets	*16*		
– Property, plant and equipment		**95,593**	101,656
– Land lease premium – non-current portion		**18,668**	19,194
		114,261	120,850
Goodwill	*18*	**–**	1,884
		114,261	122,734
Current assets			
Trade and other receivables	*19*	**25,521**	24,652
Loans receivable	*20*	**25**	71,644
Land lease premium – current portion	*16*	**526**	526
Available for sale securities/investment in securities	*17*	**12,412**	19,241
Amounts due from minority shareholders of subsidiaries		**89**	–
Amount due from an investee company	*21*	**2,168**	–
Amount due from ultimate holding company		**–**	29
Cash and cash equivalents	*22*	**1,785**	4,183
		42,526	120,275
Current liabilities			
Trade and other payables	*23*	**14,016**	24,831
Amounts due to related companies		**130**	2,426
Amounts due to minority shareholders of subsidiaries		**–**	1,674
Short-term bank loans	*24*	**85,654**	88,523
Other short-term loans	*24*	**3,226**	–
Current portion of obligations under finance leases	*25*	**–**	78
Current taxation	*26*	**54**	245
		103,080	117,777
Net current (liabilities) assets		**(60,554)**	2,498
Total assets less current liabilities		**53,707**	125,232
Non-current liabilities			
Obligations under finance leases	*25*	**–**	46
NET ASSETS		**53,707**	125,186

At 31 March 2006

	Notes	2006 HK$'000	2005 Restated HK$'000
CAPITAL AND RESERVES	27a		
Share capital		**54,381**	54,381
(Deficits) reserves		**(4,698)**	67,488
Total equity attributable to equity shareholders of the Company		**49,683**	121,869
Minority interests		**4,024**	3,317
TOTAL EQUITY		**53,707**	125,186

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

Wong Kwan
Director

Zhou Li Yang
Director

The notes on pages 41 to 103 form part of these financial statements.

BALANCE SHEET

At 31 March 2006

	Notes	2006 HK$'000	2005 Restated HK$'000
Non-current assets			
Investments in subsidiaries	*28*	**13,437**	94,236
Current assets			
Other receivables	*19*	**720**	471
Available for sale securities/investment in securities	*17*	**12,412**	17,674
Cash and cash equivalents	*22*	**45**	49
		13,177	18,194
Current liabilities			
Other payables	*23*	**4,006**	33
Amount due to a related company		**130**	100
		4,136	133
Net current assets		**9,041**	18,061
Total assets less current liabilities		**22,478**	112,297
Non-current liabilities			
Amounts due to subsidiaries		**5,215**	30,203
NET ASSETS		**17,263**	82,094
CAPITAL AND RESERVES	*27b*		
Share capital		**54,381**	54,381
(Deficits) reserves		**(37,118)**	27,713
TOTAL EQUITY		**17,263**	82,094

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

Wong Kwan	**Zhou Li Yang**
Director	*Director*

The notes on pages 41 to 103 form part of these financial statements.

For the year ended 31 March 2006

	Note	2006 HK$'000	2006 HK$'000	2005 HK$'000	2005 HK$'000
Total equity at 1 April					
As previously reported:					
– attributable to equity shareholders of the Company	27	**121,869**	**–**	119,189	–
– minority interests	27	**3,317**	**–**	–	–
		125,186	**–**	119,189	–
At 1 April, after prior period and opening balances adjustments	27	**–**	**125,186**	–	119,189
Net income recognised directly in equity:					
Exchange differences on translation of:					
– financial statements of overseas subsidiaries	27		**448**		65
Changes in fair value of available-for-sales Securities		**–**	**(5,769)**	–	538
Net income for the year recognised directly in equity (2005: as restated)		**–**	**(5,321)**	–	603
Net (loss) for the year:					
As previously reported:					
– attributable to equity shareholders of the Company				(19,574)	
– minority interests				(17)	
				(19,591)	
Prior period adjustments arising from changes in accounting policies				–	
Net (loss) for the year			**(77,569)**		(19,591)
Total recognised income and expenses for the year			**(82,890)**		(18,988)
Attributable to:					
Equity shareholders of the Company		**(83,597)**		(18,971)	
Minority interests		**707**		(17)	
		(82,890)		(18,988)	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2006

	2006		2005	
	HK$'000	HK$'000	HK$'000	HK$'000
Movements in equity arising from capital transactions				
Share issued pursuant to exercise of warrants	–		20,736	
Increase upon acquisition of subsidiaries	–		3,334	
Release upon disposal of subsidiaries	8,286		300	
Equity settled share-based transactions	3,125		615	
		11,411		24,985
Total equity at 31 March		53,707		125,186
Restatements of total recognised income and expenses for the year are attributable to:				
Equity shareholders of the Company				–
Minority interests				–
				–
Arising from restatement of:				
Net income recognised directly in equity				1,153
Net profit for the year				(1,153)
				–

The notes on pages 41 to 103 form part of these financial statements.

For the year ended 31 March 2006

	Note	2006 HK$'000	2005 Restated HK$'000
Operating activities			
(Loss) before taxation		(76,530)	(19,156)
Adjustments for:			
– Impairment loss of buildings		5,468	–
– Impairment loss of goodwill		1,884	–
– Impairment loss of deposit and other loans receivable		72,300	174
– Depreciation		4,358	4,226
– Amortisation of land lease premium		526	526
– Amortisation of goodwill		–	209
– Finance costs		6,138	5,473
– Finance lease charges		17	13
– Bank interest income		(4)	(85)
– Interest from loans receivable		(2,416)	(3,550)
– Overprovision of taxation in prior years		(677)	–
– Overprovision of provident fund and insurance in prior years		(92)	–
– Overprovision of legal fee in prior years		(1,000)	–
– Loss on disposal of discontinued operation		–	156
– Loss on disposal of an associate		–	2,346
– Share of results of an associate		–	(1,826)
– (Gain) loss on disposal of fixed assets		(24)	75
– (Gain) on disposal of subsidiaries		(11,478)	(431)
– Equity settled share-based transactions		3,125	615
Operating profit (loss) before changes in working capital		1,595	(11,235)
Decrease in inventories		–	12
(Increase) in trade and other receivables		(5,056)	(6,567)
(Increase) in amount due from an investee company		(2,168)	(5,476)
Increase in trade and other payables		3,396	4,962
Cash (used in) operations		(2,233)	(18,304)
Tax paid			
– Profits tax and PRC enterprise income tax paid		(1,236)	(314)
Net cash (used in) operating activities		(3,469)	(18,618)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2006

	Note	2006 HK$'000	2005 Restated HK$'000
Investing activities			
Purchases of investments in securities		–	(417)
New loans receivable		(23,500)	(71,569)
Payment for purchase of fixed assets		(1,389)	(299)
Payment of deposit		(42,000)	–
Proceeds from disposal of fixed assets		413	–
Proceeds from disposal of an associate		–	25,787
Proceeds from disposal of deposit paid on acquisition of additional interest in an associate		–	12,613
Disposal of subsidiaries		(212)	–
Repayment of loans receivable		64,819	34,058
Interest received from loans receivable		5,970	647
Interest received from bank		4	85
Net cash inflow on acquisition of subsidiaries		–	642
Net cash generated from investing activities		4,105	1,547
Financing activities			
Payment of bank loan interests		(5,694)	(5,473)
Payment of other loan interests		(151)	–
Payment of bank interests		(10)	–
Repayment of bank loans		(86,009)	(116,004)
Finance lease charges paid		(17)	(13)
Repayment to minority shareholders		–	(139)
Advance from minority shareholders		50	–
Repayment of obligations under a finance lease		(124)	(79)
Repayment from (to) ultimate holding company		29	(6)
Advance from ultimate holding company		59	–
New bank loans raised		86,875	96,862
New other loans raised		3,226	–
Net proceeds from issue of shares		–	20,736
Net cash (used in) financing activities		(1,766)	(4,116)
Net (decrease) in cash and cash equivalents		(1,130)	(21,187)
Cash and cash equivalents at 1 April		4,183	25,365
Effect of foreign exchange rate changes		(1,268)	5
Cash and cash equivalents at 31 March	22	1,785	4,183

Note: Bank balances and cash of approximately HK$1,785,000 (2005: HK$4,183,000) were denominated in Renminbi ("RMB"). The conversion of these balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the government of mainland China.

The notes on pages 41 to 103 form part of these financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2006 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– financial instruments classified as available-for-sale securities (see note 1(e)).

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Subsidiaries and controlled entities

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

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

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

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

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

In the Company's balance sheet, an investment in subsidiaries is stated at cost less impairment losses (see note 1(h)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 1(h)).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in profit or loss.

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

(e) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries and associates, are as follows:

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

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are initially recognised in the balance sheet at fair value plus transaction costs. Subsequently, they are stated in the balance sheet at amortised cost less impairment losses (see note 1(h)).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 1(h)).

Other investments in securities are classified as available-for-sale securities and are initially recognised at fair value plus transaction costs. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity, except for impairment losses (see note 1(h)) and, in the case of monetary items such as debt securities, foreign exchange gains and losses which are recognised directly in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Other investments in debt and equity securities (Continued)

Investments are recognised/derecognised on the date the Group and/or the Company commits to purchase/sell the investments or they expire.

(f) Other property, plant and equipment

The following items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(h)):

– buildings held for own use which are situated on leasehold land, where the fair value of the buildings could be measured separately from the fair value of the leasehold land at the inception of the lease (see note 1(g)); and

– other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(r)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits.

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

– Land lease premium held in People's Republic of China ("PRC")	Over the term of the land use rights
– Buildings	Over the shorter of lease term or the useful life
– Leasehold improvement	Over the shorter of the terms of the lease, land use rights or 5 years
– Equipment	15 – 20%
– Furniture, fixtures and office equipment	20 – 25%
– Motor vehicles	15 – 33%

Where parts of an item of property, plant equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Leased assets

i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– land held for own use under an operating lease, the fair value of the leasehold interest which cannot be measured separately from the fair value of a buildings situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the buildings are also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later.

ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Company or Group will obtain ownership of the asset, the life of the asset, as set out in note 1(f). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(h). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unquoted equity securities and current receivables that are carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for current receivables are reversed if in a subsequent period the amount of the impairment loss decreases. Impairment losses for equity securities are not reversed.

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

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

– For available-for-sale securities, the cumulative loss that had been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

  Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Impairment of assets (Continued)

(ii) Impairment of other assets

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

– property, plant and equipment (other than properties carried at revalued amounts);

– Pre-paid interests in leasehold interest in land classified as being held under an operating lease;

– intangible assets;

– investments in subsidiaries (except for those classified as held for sale (or included in a disposal group that is classified as held for sale); and

– goodwill.

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

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

– Reversals of impairment losses

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

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

(i) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see not 1(h)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 1(h)).

(j) Interest-bearing borrowings

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

(k) Trade and other payables

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

(l) Cash and cash equivalents

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Employee benefits

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

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

(ii) Share based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Black-Scholes Option Pricing Model ("BS-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 asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Income tax

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

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Income tax (Continued)

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

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

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

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

  – the same taxable entity; or

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

(o) Provisions and contingent liabilities

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sales of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the lease asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Interest income

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

(q) Translation of foreign currencies

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Translation of foreign currencies (Continued)

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

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

(r) Borrowing costs

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

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

(s) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals of the Group or of any entity that is a related party of the Group.

(t) 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.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Segment reporting (Continued)

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. For example, segment assets may include inventories, trade receivables and property, plant and equipment. 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 as those available to other external parties.

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

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

2. CHANGE IN ACCOUNTING POLICIES

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

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

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting year.

(a) Restatement of prior periods and opening balances

The following tables disclose the adjustments that have been made in accordance with the transitional provisions of the respective HKFRSs to each of the line items in the consolidated income statement and consolidated balance sheet and other significant related disclosure items as previously reported for the year ended 31 March 2005. The effects of the changes in accounting policies on the balances at 1 April 2004 and 2005 are disclosed in note 27:

2. CHANGE IN ACCOUNTING POLICIES (Continued)

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

(i) Effect on the consolidated financial statements

Consolidated income statement for the year ended 31 March 2005

	2005 (as previously reported)	Effect of new policy (increase/(decrease) in profit for the year) HKFRS 2	HKAS 32 & 39	HKAS 17	Sub-total	2005 (as restated)
		(note 2(c))	*(note 2(g))*	*(note 2(f))*		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	34,145	–	–	–	–	34,145
Cost of sales	(21,695)	–	–	–	–	(21,695)
Gross profit	12,450	–	–	–	–	12,450
Selling and distribution costs	(2,723)	–	–	–	–	(2,723)
General and administrative expenses	(25,076)	(615)	–	–	(615)	(25,691)
Compensation to a former director of a subsidiary of the Group	(4,000)	–	–	–	–	(4,000)
Unrealised holding gain on investments in securities	538	–	(538)	–	(538)	–
Other income and expenses	6,713	–	–	–	–	6,713
(Loss) from operations	(12,098)	(615)	(538)	–	(1,153)	(13,251)
Finance costs	(5,473)	–	–	–	–	(5,473)
Finance lease charges	(13)	–	–	–	–	(13)
Allowance for doubtful debts	(174)	–	–	–	–	(174)
Loss on disposal of an associate	(2,346)	–	–	–	–	(2,346)
Loss on disposal of discontinued operation	(156)	–	–	–	–	(156)
Gains on disposal of subsidiaries	431	–	–	–	–	431
Share of results of an associate	1,826	–	–	–	–	1,826
(Loss) before taxation	(18,003)	(615)	(538)	–	(1,153)	(19,156)
Income tax	(435)	–	–	–	–	(435)
(Loss) for the year	(18,438)	(615)	(538)	–	(1,153)	(19,591)
Attributable to:						
Equity shareholders of the Company	(18,421)	(615)	(538)	–	(1,153)	(19,574)
Minority interests	(17)	–	–	–	–	(17)
(Loss) for the year	(18,438)	(615)	(538)	–	(1,153)	(19,591)
(Loss) per share						
Basic	(0.36) cent	(0.01) cent	(0.01) cent	–	(0.02) cent	(0.38) cent
Diluted	N/A	N/A	N/A	N/A	N/A	N/A
Other significant disclosure items:						
Depreciation	(4,752)	–	–	526	526	(4,226)
Staff costs	(9,002)	(615)	–	–	(615)	(9,617)
Amortisation of land lease premium	–	–	–	(526)	(526)	(526)

2. CHANGE IN ACCOUNTING POLICIES (Continued)

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

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

Consolidated balance sheet at 31 March 2005

	2005 (as previously reported)	Effect of new policy (increase/(decrease) in net assets for the year) HKFRS 2	HKAS 17	HKAS 32 & 39	Sub-total	2005 (as restated)
		(note 2(e))	*(note 2(f))*	*(note 2(g))*		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets						
Property, plant and equipment	121,376	–	(19,720)	–	(19,720)	101,656
Goodwill	1,884	–	–	–	–	1,884
Land lease premium – non-current portion	–	–	19,194	–	19,194	19,194
	123,260	–	(526)	–	(526)	122,734
Current assets						
Trade and other receivables	24,652	–	–	–	–	24,652
Loans receivable	71,644	–	–	–	–	71,644
Investment in securities	19,241	–	–	–	–	19,241
Land lease premium – current portion	–	–	526	–	526	526
Amount due from ultimate holding company	29	–	–	–	–	29
Bank balances and cash	4,183	–	–	–	–	4,183
	119,749	–	526	–	526	120,275
Current liabilities						
Trade and other payables	24,831	–	–	–	–	24,831
Amounts due to related companies	2,426	–	–	–	–	2,426
Tax payable	245	–	–	–	–	245
Amounts due to minority shareholders of subsidiaries	1,674	–	–	–	–	1,674
Obligation under a finance lease – due within one year	78	–	–	–	–	78
Bank borrowing – due within one year	88,523	–	–	–	–	88,523
	117,777	–	–	–	–	117,777
Net current assets	1,972	–	526	–	526	2,498
Total assets less current liabilities	125,232	–	–	–	–	125,232
Non-current liabilities						
Obligations under a finance lease – due after one year	46	–	–	–	–	46
Net assets	125,186	–	–	–	–	125,186
Capital and reserve						
Share capital	54,381	–	–	–	–	54,381
Share premium	38,445	–	–	–	–	38,445
Capital reserve	403,851	555	–	–	555	404,406
Translation reserve	3,426	–	–	–	–	3,426
Fair value reserve	–	–	–	538	538	538
Accumulated losses	(378,234)	(555)	–	(538)	(1,093)	(379,327)
	121,869	–	–	–	–	121,869
Attributable to minority interests	3,317	–	–	–	–	3,317
	125,186	–	–	–	–	125,186

2. CHANGE IN ACCOUNTING POLICIES (Continued)

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

(ii) Effect on the Company financial statements

Balance sheet at 31 March 2005

	2005 (as previously reported)	Effect of new policy (increase/(decrease) in net assets for the year) HKFRS 2	HKAS 32 & 39	Sub-total	2005 (as restated)
		(note 2(e))	*(note 2(g))*		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets					
Interests in subsidiaries	94,236	–	–	–	94,236
Current assets					
Other receivables	471	–	–	–	471
Investment in securities	17,674	–	–	–	17,674
Bank balances and cash	49	–	–	–	49
	18,194	–	–	–	18,194
Current liabilities					
Other payables	33	–	–	–	33
Amount due to a related company	100	–	–	–	100
	133	–	–	–	133
Net current assets	18,061	–	–	–	18,061
Total assets less current liabilities	112,297	–	–	–	112,297
Non-current liabilities					
Amounts due to subsidiaries	30,203	–	–	–	30,203
Net assets	82,094	–	–	–	82,094
Capital and reserve					
Share capital	54,381	–	–	–	54,381
Share premium	38,445	–	–	–	38,445
Contributed surplus	45,348	–	–	–	45,348
Share-based compensation reserves	–	555	–	555	555
Fair value reserves	–	–	8,317	8,317	8,317
Accumulated losses	(56,080)	(555)	(8,317)	(8,872)	(64,952)
	82,094	–	–	–	82,094

2. CHANGE IN ACCOUNTING POLICIES (Continued)

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

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

(i) Effect on the consolidated financial statements

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

	Effect of new policy (increase/(decrease) in profit for the year)			
	HKFRS 2	**HKAS 17**	**HKAS 32 & 39**	**Total**
	(note 2(c))	*(note 2(f))*	*(note 2(g))*	
	HK$'000	HK$'000	HK$'000	HK$'000
Gain on disposal of subsidiaries	–	–	(8,286)	(8,286)
General and administrative expenses	(3,125)	–	–	(3,125)
(Loss) before taxation	(3,125)	–	(8,286)	(11,411)
Income tax	–	–	–	–
(Loss) for the year	(3,125)	–	(8,286)	(11,411)
Attributable to:				
Equity shareholders of the Company	(3,125)	–	(8,286)	(11,411)
Minority interests	–	–	–	–
(Loss) for the year	(3,125)	–	(8,286)	(11,411)
(Loss) per share	–	–		
Basic	(0.01) cents	–	(0.02) cents	(0.03) cents
Diluted	N/A	–	N/A	N/A
Other significant disclosure items:				
Staff costs	(3,125)	–	–	(3,125)
Depreciation	–	526	–	526
Amortisation of land lease premium	–	(526)	–	(526)

2. CHANGE IN ACCOUNTING POLICIES (Continued)

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

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

Estimated effect on the consolidated balance sheet at 31 March 2006:

	Effect of new policy (increase/(decrease) in profit net assets)				
	HKFRS 2	**HKAS 17**	**HKAS 36**	**HKAS 32 & 39**	**Total**
	(note 2(c))	*(note 2(f))*	*(note 2(d))*	*(note 2(g))*	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets					
Other property, plant and equipment	–	(19,194)	–	–	(19,194)
Land lease premium – non-current portion	–	18,668	–	–	18,668
Goodwill	–	–	(1,884)	–	(1,884)
	–	(526)	(1,884)	–	(2,410)
Current assets					
Deposit	–	–	(42,000)	–	(42,000)
Loans receivable	–	–	(30,300)	–	(30,300)
Land lease premium – current portion	–	526	–	–	526
Available-for-sale securities	–	–	–	(5,769)	(5,769)
Net assets	–	–	(74,184)	(5,769)	(79,953)
Capital and reserves					
Effect attributable to equity shareholders of the Company					
Capital reserve	2,281	–	–	–	2,281
Fair value reserve	–	–	–	(5,769)	(5,769)
Accumulated losses	(2,281)	–	(74,184)	–	(76,465)
	–	–	(74,184)	(5,769)	(79,953)
Effect attributable to minority interests	–	–	–	–	–
	–	–	(74,184)	(5,769)	(79,953)

2. CHANGE IN ACCOUNTING POLICIES (Continued)

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

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

Estimated effect on net income recognised directly in consolidated equity for the year ended 31 March 2006:

	Effect of new policy (increase/(decrease) in equity) HKAS 32 & 39 *(note 2(g))* HK$'000
For the year ended 31 March 2006	
Attributable to equity shareholders of the Company	(5,769)
Minority interests	–
Total equity	(5,769)

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

	Effect of new policy (increase/(decrease))		
	HKFRS 2 *(note 2(c))* HK$'000	HKAS 32 & 39 *(note 2(g))* HK$'000	Total HK$'000
Attributable to equity shareholders of the Company	2,281	8,286	10,567
Minority interests	–	–	–
Total equity	2,281	8,286	10,567

2. CHANGE IN ACCOUNTING POLICIES (Continued)

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

(ii) Effect on the Company's balance sheet

Estimated effect on the balance sheet at 31 March 2006:

	Effect of new policy (increase/(decrease) in net assets)		
	HKFRS 2 *(note 2(c))* HK$'000	**HKAS 32 & 39** *(note 2(g))* HK$'000	**Total** HK$'000
Current assets			
Available-for-sale securities	–	(5,262)	(5,262)
Net assets	–	(5,262)	(5,262)
Capital and reserves			
Effect attributable to equity shareholders of the Company			
Capital reserve	2,281	–	2,281
Fair value reserve	–	(5,262)	(5,262)
Accumulated losses	(2,281)	–	(2,281)
	–	(5,262)	(5,262)

Estimated effects on net income recognised directly in the Company's equity for the year ended 31 March 2006.

	Effect of new policy (increase/(decrease) in equity)		
	HKAS 17 *(note 2(f))* HK$'000	**HKAS 32 & 39** *(note 2(g))* HK$'000	**Total** HK$'000
For the year ended 31 March 2006			
Attributable to equity shareholders of the Company	–	(5,262)	(5,262)

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

	Effect of new policy (increase/(decrease))		
	HKFRS 2 *(note 2(c))* HK$'000	**HKAS 32 & 39** *(note 2(g))* HK$'000	**Total** HK$'000
Attributable to equity shareholders of the Company	2,281	8,286	10,567

2. CHANGE IN ACCOUNTING POLICIES (Continued)

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

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

With effect from 1 January 2005, in order to comply with HKFRS 2, the Group has adopted a new policy for employee share options. Under the new policy, the Group recognises the fair value of such share options as an expense with a corresponding increase recognised in a capital reserve within equity.

The Group has taken advantage of the transitional provisions set out in HKFRS 2, under which the new recognition and measurement policies have not been applied to the following grants of options:

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

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

As the Group's options were granted to employees after 7 November 2002 but had vested before 1 January 2005, the adoption of HKFRS 2 has no impact on the Group's net assets and results for the prior year.

Details of the employee share option scheme are set out in note 30.

(d) Amortisation of positive and negative goodwill (HKFRS 3, Business combinations, HKAS 36, Impairment of assets and HKAS 38, Intangible assets)

Amortisation of goodwill

In prior periods:

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

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

2. CHANGE IN ACCOUNTING POLICIES (Continued)

(d) Amortisation of positive and negative goodwill (HKFRS 3, Business combinations, HKAS 36, Impairment of assets and HKAS 38, Intangible assets) (Continued)

Amortisation of goodwill (Continued)

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

With effect from 1 January 2005, in order to comply with HKFRS 3, HKAS 36 and HKAS 38, the Group has changed its accounting policies relating to goodwill. Under the new policy, the Group no longer amortises positive goodwill but tests it at least annually for impairment. Also with effect from 1 January 2005 and in accordance with HKFRS 3, if the fair value of the net assets acquired in a business combination exceeds the consideration paid (i.e. an amount arises which would have been known as negative goodwill under the previous accounting policy), the excess is recognised immediately in profit or loss as it arises.

The new policy in respect of the amortisation of positive goodwill has been applied prospectively in accordance with the transitional arrangements under HKFRS 3. As a result, comparative amounts have not been restated, the cumulative amount of impairment loss as at 1 January 2005 has been offset against the cost of the goodwill and no amortisation charge for goodwill has been recognised in the consolidated income statement for the year ended 31 March 2006.

Also in accordance with the transitional arrangement under HKFRS 3, goodwill which had previously been taken directly to reserves (i.e. goodwill which arose before 1 January 2001) will not be recognsied in profit or loss on disposal or impairment of the acquired business, or under other circumstances.

The change in policy relating to negative goodwill had no effect on the financial statements as there was no negative goodwill deferred as at 31 March 2005.

2. CHANGE IN ACCOUNTING POLICIES (Continued)

(e) Changes in presentation of minority interests (HKAS 1, Presentation of financial statements and HKAS 27, Consolidated and separate financial statements)

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

With effect from 1 January 2005, in order to comply with HKAS 1 and HKAS 27, the Group has changed its accounting policy relating to presentation of minority interests. Under the new policy, minority interests are presented as part of equity, separately from interests attributable to the equity shareholders of the Company. These change in presentation retrospectively with comparatives restated as shown in note 2(a).

(f) Leasehold land and buildings (HKAS 17, Leases)

(i) Leasehold land and buildings held for own use

In prior years, leasehold land and buildings held for own use were stated at revalued amounts less accumulated depreciation and accumulated impairment losses. Movements of revaluation surpluses or deficits were normally taken to the land and buildings revaluation reserve.

With effect from 1 January 2005, in order to comply with HKAS 17, the Group has adopted a new policy for leasehold land and buildings held for own use. Under the new policy, the leasehold interest in the land held for own use is accounted for as being held under an operating lease where the fair value of the interest in any buildings situated on the leasehold land could be measured separately from the fair value of the leasehold interest in the land at the time the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later.

Any buildings held for own use which are situated on such land leases continue to be presented as part of property, plant and equipment. However, as from 1 January 2005 the buildings are also stated at cost less accumulated depreciation, rather than at fair value, to be consistent with the new policy required to be adopted for the land element.

(ii) Description of transitional provisions and effect of adjustments

The above new accounting policies relating to leases have been adopted retrospectively. The adjustments for each financial statement line item affected for 31 March 2005 and 2006 are set out in notes 2(a) and 2(b). In respect of the leasehold land and buildings held for own use, it is not practicable to estimate the effect of the change on the year ended 31 March 2006.

2. CHANGE IN ACCOUNTING POLICIES (Continued)

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

(i) Investments in equity securities

In prior years, equity investments held on a continuing basis for an identifiable long-term purpose were classified as investment securities and stated at cost less provision. Other investments in securities (including those held for trading and for non-trading purposes) were stated at fair value with changes in fair value recognised in profit or loss.

With effect from 1 January 2005, and in accordance with HKAS 39, all investments, with the exception of securities held for trading purposes and certain unquoted equity investments, are classified as available-for-sale securities and carried at fair value. Changes in the fair value of available-for-sale securities are recognised in equity, unless there is objective evidence that an individual investment has been impaired. There are no material adjustments arising from the adoption of the new policies for securities held for trading purposes and unquoted equity investments not carried at fair value.

(ii) Description of transitional provisions and effect of adjustments

The changes in accounting policies relating to accounting for investments in equity securities were adopted by way of opening balance adjustments to certain reserves as at 1 April 2005. The adjustments included re-designation of investment securities with a carrying value of HK$19,241,000 at 31 March 2005 as available for sale securities at 1 April 2005. As at that date, these investment securities were already stated to their fair value of HK$19,241,000. Comparative amounts have not been restated as this is prohibited by the transitional arrangements in HKAS 39.

The adjustments for each financial statement line item affected for the years ended 31 March 2005 and 2006 are set out in notes 2(a) and (b).

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

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

3. TURNOVER

The principal activities of the Group are operating bonded warehouse, provision of logistics and related services and logistics related property investment.

Turnover represents the service income from logistics and other services. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2006 HK$'000	2005 HK$'000
Continuing operations		
Logistics and other services	75,157	32,874
Discontinued operation		
Sales of electronic household appliances	–	1,271
	75,157	34,145

4. OTHER REVENUE AND NET INCOME

	2006 HK$'000	2005 HK$'000
Other revenue		
Interest income from banks	4	85
Other interest income	2,416	3,550
Management fee income	1,920	2,400
Other transportation income	8	–
Maintenance income	2	–
Over-provision of provident fund	92	–
Over-provision of tax liabilities	677	–
Over-provision of legal fee	1,000	–
Over-provision of liabilities	–	500
Net gain on sales of fixed assets	24	–
Exchange gain	2,988	178
	9,131	6,713

5. COMPENSATION TO A FORMER DIRECTOR OF A SUBSIDIARY OF THE GROUP

In 2002, Dransfield Holdings Limited ("DHL"), a disposed subsidiary during the year, was named as a defendant in a legal action regarding a denial of a former director's request to exercise certain share options granted to her. DHL contested the claim and the legal proceedings were concluded subsequent to the year ended 2005 and compensation, together with interest accrued, of HK$4,000,000 was provided in the financial statements for the prior year. The Company disposed of all its interest in DHL on 23 July 2005 and that the Group is not responsible for any debts or liabilities of DHL.

6. (LOSS) BEFORE TAXATION

(Loss) before taxation is arrived at after charging:

		2006 HK$'000	2005 HK$'000
(a)	**Finance costs**		
	Interest on bank advances and other borrowings wholly repayable within five years	**5,739**	5,473
	Interest on other loans	**389**	–
	Finance charges on obligations under finance leases	**17**	13
	Other borrowing costs	**10**	–
	Total borrowing costs	**6,155**	5,486
(b)	**Staff costs**		
	Contributions to defined contribution retirement plans	**968**	207
	Equity-settled share-based payment expenses	**3,125**	615
	Salaries, wages and other benefits	**9,849**	8,795
		13,942	9,617
(c)	**Other items**		
	Amortisation of goodwill	**–**	209
	Amortisation of land lease premium	**526**	526
	Depreciation		
	– other assets	**4,358**	4,226
	Bad debts written off	**208**	–
	Loss on disposal of property, plant and equipment	**–**	75
	Foreign exchange loss	**–**	73
	Auditors' remuneration	**861**	799
	Operating lease charges: minimum lease payments		
	– property rentals	**1,151**	2,430

7. DISPOSAL OF SUBSIDIARIES

	2006 HK$'000	2005 HK$'000
Net (liabilities) disposed of:		
Property, plant and equipment	207	–
Long-term investment	1,060	–
Inventories	–	–
Trade and other receivables	1,038	26
Amount due from ultimate holding company	56	–
Bank balances and cash	212	–
Trade and other payables	(14,494)	(757)
Bank borrowings	(3,735)	–
Amount due from related companies	(2,295)	–
Amount due to minority interest	(1,813)	–
	(19,764)	(731)
Fair value reserve realised	8,286	–
Capital reserve realized	–	300
	(11,478)	(431)
Gain on disposal of subsidiaries	11,478	431
Total consideration	–	–
Satisfied by:		
Cash	–	–
Waiver of other payables	–	–
	–	–
Analysis of net cash inflow in respect of the disposal of subsidiaries:		
Cash consideration received	–	–
Bank balances and cash disposed of	(212)	–
	(212)	–

During the year, the Group has disposed of all of its shareholdings in DHL and certain subsidiaries to two independent parties. Upon the completion of the disposal of the non-performing operation, the Group recorded a gain on disposal of subsidiaries amounted to approximately HK$11,478,000.

The fellow subsidiaries disposed of in these two years did not have significant impact on the Group's turnover and operating results for the respective years.

8. IMPAIRMENT LOSS OF DEPOSIT AND OTHER LOANS RECEIVABLE

Impairment loss has been made for the following items due to uncertainty of recovery.

	The Group	
	2006	2005
	HK$'000	HK$'000
Secured long-term loan receivable *(note i)*	**18,000**	–
Deposit *(note ii)*	**42,000**	–
Loans receivable *(note ii)*	**12,300**	–
Accounts receivable	**–**	174
	72,300	174

Notes:

(i) The loan is secured by the unlisted shares of the borrower and personal guarantee by the owner of the borrower, bears interest at 4% per annum. The loan will be repayable on 27 September 2007 or used to be part of the consideration of a possible asset acquisition.

(ii) During the year under the supervision of the former board members and management, the Group has made a deposit of HK$42,000,000 (2005: Nil) and a loan of HK$18,000,000 in accordance with an Asset Transfer Deposit Agreement (資產轉讓預付款協議) (the "Deposit Agreement") and a Loan Agreement, both dated 27 September 2005 entered into between the Company and Hero Vantage Limited. Pursuant to the Deposit Agreement, the Company shall acquire from Hero Vantage Limited certain amounts of logistics assets on condition that, inter alia, Hero Vantage Limited shall have acquired and become the legal owner of the relevant logistics assets (the "Condition Precedent") in Yixing, the PRC. If the Condition Precedent is not fulfilled within 12 months after the date of the Deposit Agreement, the deposit shall be refunded in full to the Company within 3 months thereafter with interest thereon to be calculated at the rate of 5% per annum.

After the completion of the Subscription Agreements on 24 May 2006, the change of controlling interest in the Company and the formation of the New Board and management team on the same date, the above matters have been considered very important. Enquiries have been made with former board members and management and those relevant parties involved in the above matters but the information available to the New Board, as at the Latest Practicable Date, was inadequate for ascertaining the recoverability of both the deposit and the loan. Therefore the New Board has made a decision to make full provision of impairment for both the deposit and the loan totaling HK$60,000,000.

8. (LOSS) ON IMPAIRMENT OF DEPOSIT AND OTHER LOANS RECEIVABLE (Continued)

Notes: (Continued)

In addition, the New Board has also decided to make full provision of impairment for two loans receivable totaled HK$12,300,000, the New Board considers the provision of impairment necessary based on the information available as at the Latest Practicable Date.

The Company will continue to take all possible further steps to recover the deposit, the loan and the loans receivable and will seek legal advice in order to protect the interests of the Company and the Shareholders.

9. DISCONTINUED OPERATION

In 2005, the Group disposed of its interest in a subsidiary, Dransfield Electrical Appliances Limited ("DEA") for a cash consideration of HK$100 (the DEA Disposal"). The DEA Disposal was effected in order for the Group to focus on its logistics operations.

DEA was principally engaged in the trading of electronic household appliances in Hong Kong. The DEA Disposal was completed on 31 March 2005, when control of DEA was passed to the acquirer.

The carrying amounts of the assets and liabilities of the electronic household appliances trading business on the date of disposal and the loss arising from the disposal are as follows:

	Electronic household appliances	
	2006	2005
	HK$'000	HK$'000
Inventories	–	156
Loss on disposal	–	(156)
Consideration received	–	–

10. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2006 HK$'000	2005 HK$'000
Current tax – Hong Kong Profits Tax		
Under-provision in respect of prior years	–	119
Current tax – Overseas		
Provision for the year	1,039	235
Share of taxation attributable to an associate	–	81
	1,039	435

The provision for Hong Kong Profits Tax for the year ended 31 March 2006 has not been made as the Group has no estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling on the relevant countries.

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

	2006 HK$'000	2005 HK$'000
(Loss) before tax	(76,530)	(19,156)
Notional tax on (loss) before tax, calculated at the rates applicable to profits in the countries concerned	(11,480)	(2,873)
Tax effect of non-deductible expenses	14,277	2,584
Tax effect of non-taxable income	(2,933)	(1,889)
Tax effect of unused tax losses not recognised	558	2,173
Under provision of taxation in prior years	–	119
Tax effect of different tax rates in subsidiaries	617	128
Tax effect of share of results of an associate	–	193
Actual tax expense	1,039	435

11. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Directors' fees HK$'000	Salaries allowances and benefits in kind HK$'000	Share-based payment HK$'000	Retirement scheme contributions HK$'000	2006 Total HK$'000
Executive directors					
Fan Di	**300**	**–**	**107**	**12**	**419**
Zhou Li Yang	**480**	**5**	**86**	**12**	**583**
Zheng Yingsheng	**155**	**265**	**301**	**–**	**721**
Wu Shiyue	**120**	**65**	**43**	**–**	**228**
Chen Gang	**100**	**100**	**–**	**–**	**200**
	1,155	**435**	**537**	**24**	**2,151**
Non-executive directors					
Robert Fung Hing Piu	**–**	**–**	**9**	**–**	**9**
Wang Shizhen	**–**	**–**	**9**	**–**	**9**
	–	**–**	**18**	**–**	**18**
Independent non-executive directors					
Barry John Buttifant	**–**	**–**	**9**	**–**	**9**
Iain Ferguson Bruce	**–**	**–**	**9**	**–**	**9**
Victor Yang	**–**	**–**	**12**	**–**	**12**
	–	**–**	**30**	**–**	**30**

11. DIRECTORS' REMUNERATION (Continued)

	Directors' fees HK$'000	Salaries allowances and benefits in kind HK$'000	Share-based payment HK$'000	Retirement scheme contributions HK$'000	2005 Total HK$'000
Executive directors					
Fan Di	–	750	160	–	910
Zhou Li Yang	–	218	88	5	311
Zheng Yingsheng	–	350	22	–	372
Wu Shiyue	–	482	73	–	555
Zhu Xiaojun	–	113	15	3	131
	–	1,913	358	8	2,279
Non-executive directors					
Robert Fung Hing Piu	–	–	15	–	15
Wong Shizhen	–	–	15	–	15
	–	–	30	–	30
Independent non-executive directors					
Barry John Buttifant	100	–	15	–	115
Iain Ferguson Bruce	100	–	15	–	115
Victor Yang	–	–	13	–	13
	200	–	43	–	243

The above emoluments include the value of share options granted to certain directors under the Company's share option scheme as estimated at the date of grant. The details of these benefits in kind are disclosed under the paragraph "Share Option Scheme" in the directors' report and note 30.

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2005: four) are directors whose emoluments are disclosed in note 11. The aggregate of the emoluments in respect of the other two (2005: one) individual are as follows:

	2006 **HK$'000**	2005 HK$'000
Salaries and other emoluments	**850**	539
Share-based payments	**90**	29
Retirement scheme contributions	**24**	11
	964	579

The emoluments of the two (2005: one) individuals with the highest emoluments are within the following bands:

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

13. (LOSS) ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated (loss) attributable to equity shareholders of the Company includes HK$62,694,000 (2005: HK$5,161,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's (loss) for the year:

	2006 **HK$'000**	2005 Restated HK$'000
Amount of consolidated (loss) attributable to equity shareholders dealt with in the Company's financial statements	**(62,694)**	(5,161)
Company's (loss) for the year *(note 27(b))*	**(62,694)**	(5,161)

14. (LOSS) PER SHARE

The calculation of basic and diluted (loss) per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$78,276,000 (2005 (restated): HK$19,574,000) and the weighted average of 5,438,098,000 (2005: 5,104,718,000) ordinary shares in issue during the year.

Weighted average number of ordinary shares

	2006	2005
	'000	'000
Issued ordinary shares at 1 April	**5,438,098**	4,536,565
Effect of warrants exercised	**–**	568,153
Weighted average number of ordinary shares at 31 March	**5,438,098**	5,104,718

15. SEGMENT REPORTING

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

Business segments

During the year under review, the Group currently only operates a single business which is the provision of logistics and related services. It is on this basis that the Group reports its primary segment information.

In prior years, the Group was also involved in the distribution of electronic household appliances. The operation was discontinued in last year, details are set out in note 9.

15. SEGMENT REPORTING (Continued)

Primary reporting format – business segments

	Continuing operations Logistics		Discontinued operation Electronic household appliances		Inter-segment elimination		Consolidated	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
REVENUE								
External sales	**75,157**	32,874	**–**	1,271	**–**	–	**75,157**	34,145
Inter-segment sales	**300**	305	**–**	–	**(300)**	(305)	**–**	–
Total revenue	**75,457**	33,179	**–**	1,271	**(300)**	(305)	**75,157**	34,145
RESULT								
Segment result	**(2,090)**	(1,809)	**–**	(420)	**–**	–	**(2,090)**	(2,229)
Interest income from loans receivable							**2,416**	3,550
Unallocated operating income and expenses							**(2,527)**	(14,572)
(Loss) from operations							**(2,201)**	(13,251)
Finance costs							**(6,155)**	(5,486)
Gain on disposal of subsidiaries							**11,478**	431
(Loss) on disposal of discontinued operation							**–**	(156)
(Loss) on disposal of an associate							**–**	(2,346)
Share of results of an associate							**–**	1,826
Impairment loss of buildings							**(5,468)**	–
Impairment loss of deposit and other loans receivable							**(72,300)**	(174)
Impairment loss of goodwill							**(1,884)**	–
Taxation							**(1,039)**	(435)
(Loss) after taxation							**(77,569)**	(19,591)
Depreciation and amortisation for the year	**4,884**	4,752						
Impairment of								
– Buildings	**5,468**	–						
– positive goodwill	**1,884**	–						

Inter-segment sales are charged at prevailing market rates.

15. SEGMENT REPORTING (Continued)

Primary reporting format – business segments (Continued)

	Continuing operations Logistics		Discontinued operation Electronic household appliances		Inter-segment elimination		Consolidated	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
ASSETS								
Segment assets	**140,094**	146,286	**–**	–	**–**	–	**140,094**	146,286
Goodwill in subsidiaries	**–**	1,884	**–**	–	**–**	–	**–**	1,884
Investments in securities							**12,412**	19,241
Loan receivables							**25**	71,568
Unallocated corporate assets							**4,256**	4,030
Consolidated total assets							**156,787**	243,009
LIABILITIES								
Segment liabilities	**12,808**	8,730					**12,808**	8,730
Taxation payable							**54**	245
Obligation under a finance lease							**–**	124
Bank borrowings							**85,654**	88,523
Unallocated corporate liabilities							**4,564**	20,201
Consolidated total liabilities							**103,080**	117,823

15. SEGMENT REPORTING (Continued)

Geographical segments

The Group operates in one main geographical area:

PRC – operating bonded warehouse, provision of logistics and related services and logistics related property investment.

The Group's operations are principally located in Hong Kong and PRC. The Group's administrative function is carried out in Hong Kong and PRC and the operating activities are carried out mainly in PRC.

The Group's inter-segment transactions consist mainly of warehouse rental between fellow subsidiaries located in Shenzhen. The transactions were entered into on terms similar to those applicable to independent third parties and were eliminated on consolidation.

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

	PRC		Hong Kong	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**75,157**	34,145	**–**	–
Segment results	**(2,090)**	(2,229)	**–**	–
Segment assets	**139,796**	146,058	**298**	228
Capital expenditure incurred during the year	**978**	1,395	**411**	40

16. FIXED ASSETS

(a) The Group

	Buildings HK$'000	Leasehold improvements HK$'000	Equipment HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Sub-total HK$'000	Land lease premium HK$'000	Total HK$'000
Cost or valuation:								
At 1 April 2004	115,873	4,972	7,152	30,542	3,079	161,168	20,246	181,864
Exchange adjustments	72	–	–	10	–	82	–	82
Additions	–	40	–	259	–	299	–	299
Disposal	–	(539)	–	(711)	–	(1,250)	–	(1,250)
Acquisition of subsidiaries	–	–	–	1,136	–	1,136	–	1,136
Disposal of subsidiaries	–	–	–	(25)	–	(25)	–	(25)
Less: elimination of accumulated depreciation	(28,601)	–	–	–	–	(28,601)	–	(28,601)
At 31 March 2005 (restated)	87,344	4,473	7,152	31,211	3,079	133,259	20,246	153,505
Representing:								
Cost	–	4,473	7,152	31,211	3,079	45,915	–	45,915
Valuation – 2005 (restated)	87,344	–	–	–	–	87,344	20,246	107,590
	87,344	4,473	7,152	31,211	3,079	133,259	20,246	153,505
At 1 April 2005 (restated)	87,344	4,473	7,152	31,211	3,079	133,259	20,246	153,505
Exchange adjustment	2,635	18	–	490	16	3,159	–	3,159
Additions	–	626	–	316	447	1,389	–	1,389
Disposal	–	–	–	(130)	(1,153)	(1,283)	–	(1,283)
Fair value adjustment	(5,468)	–	–	–	–	(5,468)	–	(5,468)
Disposal of subsidiaries	–	(4,025)	(80)	(10,686)	(1,760)	(16,551)	–	(16,551)
Reclassification	–	355	–	(355)	–	–	–	–
Less: elimination of accumulated depreciation	(2,401)	–	–	–	–	(2,401)	–	(2,401)
At 31 March 2006	82,110	1,447	7,072	20,846	629	112,104	20,246	132,350
Representing:								
Cost	–	1,447	7,072	20,846	629	29,994	–	29,994
Valuation – 2006	82,110	–	–	–	–	82,110	20,246	102,356
	82,110	1,447	7,072	20,846	629	112,104	20,246	132,350

16. FIXED ASSETS (Continued)

(a) The Group (Continued)

	Buildings	Leasehold improvements	Equipment	Furniture, fixtures and office equipment	Motor vehicles	Sub-total	Land lease premium	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Accumulated depreciation and amortization								
At 1 April 2004	26,256	4,549	7,152	17,169	2,035	57,161	–	57,161
Exchange Adjustments	14	–	–	3	–	17	–	17
Charge for the year	2,331	206	–	1,329	360	4,226	526	4.752
Eliminated on disposal of subsidiaries	–	–	–	(25)	–	(25)	–	(25)
Eliminated on disposals	–	(486)	–	(689)	–	(1,175)	–	(1,175)
Eliminated on revaluation	(28,601)	–	–	–	–	(28,601)	–	(28,601)
	–	4,269	7,152	17,787	2,395	31,603	526	32,129
At 1 April 2005	–	4,269	7,152	17,787	2,395	31,603	526	32,129
Exchange adjustment	–	8	–	168	13	189	–	189
Provided during the year	2,401	301	–	1,456	200	4,358	526	4,884
Disposal of subsidiaries	–	(4,025)	(80)	(10,584)	(1,655)	(16,344)	–	(16,344)
Eliminated on disposals	–	–	–	(41)	(853)	(894)	–	(894)
Reclassification	–	103	–	(103)	–	–	–	–
Eliminated on revaluation	(2,401)	–	–	–	–	(2,401)	–	(2,401)
At 31 March 2006	**–**	**656**	**7,072**	**8,683**	**100**	**16,511**	**1,052**	**17,563**
Net book value:								
At 31 March 2006	**82,110**	**791**	**–**	**12,163**	**529**	**95,593**	**19,194**	**114,787**
At 31 March 2005	87,344	204	–	13,424	684	101,656	19,720	121,376

16. FIXED ASSETS (Continued)

(a) The Group (Continued)

The following properties held by the Group and the Company for own use were revalued at 31 March 2006 at their open market value by reference to recent market transactions in comparable properties. The valuations were carried out by Ms Joannau W.F. Chan, who is an associate member of the Hong Kong Institute of Surveyors and a qualified surveyor of BMI Appraisals Limited with recent experience in the location and category of property being valued:

	2006 HK$'000	2005 HK$'000
Buildings	82,110	87,334

The revaluation deficit of HK$5,468,000 has been transferred to profit or loss as impairment loss of buildings of the Group.

Had these properties held for own use been carried at cost less accumulated depreciation, the carrying amounts would have been HK$82,110,000.

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

	2006 HK$'000	2005 HK$'000
Outside Hong Kong		
– medium leases	82,110	87,334
Representing:		
Buildings carried at fair value	82,110	87,334

(c) The analysis of net book value of land lease premium is as follows:

	2006 HK$'000	2005 HK$'000
Outside Hong Kong – medium leases		
– non-current portion	18,668	19,194
– current portion	526	526
	19,194	19,720

17. AVAILABLE-FOR-SALE SECURITIES/INVESTMENTS IN SECURITIES

	The Group		The Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Listed equity securities, at fair value (2005: Investment securities): USA	**12,412**	19,241	**12,412**	17,674

Name	Place of incorporation and operation	Principal activities	Percentage of interest
China Technology Global Corporation	British Virgin Islands	Designs, manufactures and sales of customisable software and hardware	5.3%

The above investment consists of investment in equity securities which was designated as available-for-sale financial assets on 1 January 2005 and has no fixed maturity date or coupon rate.

During the year, the gross loss of the Group's available-for-sale equity investment recognised directly in equity amounted to HK$5,769,000 (2005: gross gain HK$538,000), of which a realised loss of HK$8,286,000 (2005: nil) was removed from equity and recognised in the income statement for the year.

The fair value of the listed equity investment is based on quoted market price.

18. GOODWILL

	The Group HK$'000
Cost	
Arising from acquisition of a subsidiary and 31 March 2005	2,093
At 1 April 2005	2,093
Opening balance adjustment to eliminate accumulated impairment loss	(209)
At 31 March 2006	1,884
Accumulated amortisation and impairment losses	
At 1 April 2004	–
Amortisation for the year	209
At 31 March 2005	209
At 1 April 2005	209
Eliminate against cost on 31 March 2006	(209)
Impairment loss	1,884
At 31 March 2006	1,884
Carrying amount	
At 31 March 2006	–
At 31 March 2005	1,884

The goodwill arising from acquisition of subsidiaries is amortised on a straight line basis over its estimated useful life of ten years in prior year. The accounting policy has been changed in the current year in order to comply with HKFRS 3, HKAS 36 and HKAS 38 (note 2(d)).

19. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bill receivables	**386**	–	**–**	–
Trade receivables	**14,855**	13,063	**–**	–
Other receivables, deposits and prepayments	**10,280**	11,589	**720**	471
	25,521	24,652	**720**	471

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

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

	The Group	
	2006	2005
	HK$'000	HK$'000
Less than 3 months	**12,167**	11,850
More than 3 months overdue but less than 6 months	**1,754**	680
More than 6 months overdue but less than 12 months	**549**	410
Over 1 year	**385**	123
	14,855	13,063

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

20. LOANS RECEIVABLE

	The Group	
	2006	2005
	HK$'000	HK$'000
Secured loans receivable *(note i)*	**12,300**	15,000
Less: Impairment loss of loans receivable	**(12,300)**	–
Unsecured loans receivable *(note ii)*	**25**	56,644
	25	71,644

Notes:

(i) HK$12,300,000 of the loans are secured by the listed securities owned by the borrowers, bearing interest at 5% per annum and are repayable within one year.

(ii) The loan bears 6% per annum and is repayable by monthly installments within one year.

21. AMOUNT DUE FROM AN INVESTEE COMPANY

The amount due from an investee company, China Technology Global Corporation, was unsecured and interest-free.

22. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits with banks and other financial institutions	**–**	–	**–**	–
Cash at bank and in hand	**1,785**	4,183	**45**	49
Cash and cash equivalents in the balance sheet	**1,785**	4,183	**45**	49
Pledged bank balances and time deposits for long term bank loans	**–**	–		
Cash and cash equivalents in the consolidated cash flow statement	**1,785**	4,183		

23. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**6,612**	5,185	**–**	–
Other payables and accrued charges	**7,002**	19,638	**4,006**	33
Deposits received	**402**	8	**–**	–
	14,016	24,831	**4,006**	33

All of the trade and other payables are expected to be settled within one year.

Included in trade and other payables are trade payables with the following ageing analysis as of the balance sheet date.

	The Group	
	2006	2005
	HK$'000	HK$'000
Less than 3 months	**5,616**	4,667
Due after 3 months but within 6 months	**753**	173
Due after 6 months but within 12 months	**12**	1
Over 1 year	**231**	344
	6,612	5,185

24. BANK AND OTHER SHORT-TERM BORROWINGS

At 31 March 2006, bank and other short-term borrowings were repayable as follows:

	The Group	
	2006	2005
	HK$'000	HK$'000
BANK LOANS, SECURED		
Within 1 year or on demand as classified under current liabilities	**85,654**	56,504
BANK LOANS, UNSECURED		
Within 1 year or on demand as classified under current liabilities	**–**	32,019
OTHER SHORT-TERM LOANS, SECURED		
Within 1 year or on demand as classified under current liabilities	**3,226**	–
	88,880	88,523

At 31 March 2006, certain of the Group's leasehold land and buildings situated in Shenzhen, with an aggregate carrying value of HK$101,304,000 (2005: HK$107,064,000) were pledged to banks to secure loan facilities granted to the Group. Corporate guarantee for the secured bank loan was given by the Company and the Company's former Director, Fan Di.

At 31 March 2006, certain of the Group's assets, situated in Guangzhou, were used to secure the other short-term loans which are payable within one year.

25. OBLIGATIONS UNDER A FINANCE LEASE

	The Group			
	Minimum lease payments		Present value of minimum lease payments	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
The maturity of obligations under a finance lease is as following:				
Within one year	**–**	91	**–**	78
In the second to fifth year inclusive	**–**	53	**–**	46
	–	144	**–**	124
Less: Future finance charges	**–**	(20)	**–**	N/A
Present value of lease obligations	**–**	124	**–**	124
Less: Amount due within one year shown under current liabilities			**–**	(78)
Amount due over one year			**–**	46

The lease term is 3 years and the interest rate was fixed at the contract date. The lease is on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The Group's obligations under the finance lease are secured by the lessor's charge over the leased asset. At 31 March 2006, the Group has already made early settlement of the outstanding lease obligation which originally due within one year.

26. INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the balance sheet represents:

	The Group	
	2006 HK$'000	2005 HK$'000
Balance of PRC Profits Tax provision relating to prior years	**54**	245

26. INCOME TAX IN THE BALANCE SHEET (Continued)

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax (assets) liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

	The Group		
	Depreciation allowances in excess of the related depreciation HK$'000	**Tax losses** HK$'000	**Total** HK$'000
Deferred tax arising from:			
At 1 April 2004 (restated)	(84)	84	–
Disposal of subsidiaries	33	(33)	–
Charge to profit or loss	(23)	23	–
At 31 March 2005 (restated)	(74)	74	–
At 1 April 2005 (restated)	(74)	74	–
Disposal of subsidiaries	74	(74)	–
At 31 March 2006	–	–	–

	The Group	
	2006 **HK$'000**	2005 HK$'000
Net deferred tax asset recognised on the balance sheet	–	–
Net deferred tax liability recognised on the balance sheet	–	–
	–	–

26. INCOME TAX IN THE BALANCE SHEET (Continued)

(c) Deferred tax assets not recognised

The Group

In accordance with the accounting policy set out in note 1(n), at 31 March 2006, the Group had unused tax loss of HK$Nil (2005: HK$119,776,000) available for offset against future profits. Deferred tax asset of HK$493,000 has been recognised in last year in respect of such losses. During the year ended 31 March 2006, the Group had disposed of the DHL Group which carried the remaining not-recognised deferred tax loss of HK$119,283,000 in last year.

27. CAPITAL AND RESERVES

(a) The Group

		Attributable to equity shareholders of the Company									
	Note	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Fair value reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 April 2004		45,365	26,725	–	403,551	3,361	–	(359,813)	119,189	–	119,189
Exchange difference on translation of financial statements of overseas subsidiaries		–	–	–	–	65	–	–	65	–	65
Issue of shares pursuant to exercise of warrants		9,016	11,720	–	–	–	–	–	20,736	–	20,736
Increase upon acquisition of subsidiaries		–	–	–	–	–	–	–	–	3,334	3,334
Release upon disposal of subsidiaries		–	–	–	300	–	–	–	300	–	300
Equity settled share-based transactions		–	–	–	615	–	–	–	615	–	615
Share options expired under share option scheme		–	–	–	(60)	–	–	60	–	–	–
Available-for-sales securities:											
- changes in fair value		–	–	–	–	–	538	–	538	–	538
(Loss) for the year (restated)		–	–	–	–	–	–	(19,574)	(19,574)	(17)	(19,591)
At 31 March 2005 (as restated)		54,381	38,445	–	404,406	3,426	538	(379,327)	121,869	3,317	125,186
At 1 April 2005		54,381	38,445	–	404,406	3,426	538	(379,327)	121,869	3,317	125,186
Exchange difference on translation of financial statements of overseas subsidiaries		–	–	–	–	448	–	–	448	–	448
Equity settled share-based transactions		–	–	–	3,125	–	—		3,125	–	3,125
Share options expired under share option scheme		–	–	–	(844)	–	–	844	–	–	–
Available-for-sale securities:											
- changes in fair value		–	–	–	–	–	(5,769)		(5,769)	–	(5,769)
- transfer to profit or loss on disposal		–	–	–	–	–	8,286		8,286	–	8,286
(Loss) for the year		–	–	–	–	–	–	(78,276)	(78,276)	707	(77,569)
At 31 March 2006		**54,381**	**38,445**	**–**	**406,687**	**3,874**	**3,055**	**(456,759)**	**49,683**	**4,024**	**53,707**

27. CAPITAL AND RESERVES (Continued)

(b) The Company

	Note	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Fair value reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2004		45,365	26,725	45,348	–	–	(59,851)	57,587
Issue of shares pursuant to exercise of warrants		9,016	11,720	–	–	–	–	20,736
Available-for-sale securities:								
– changes in fair value		–	–	–	–	8,317	–	8,317
Equity settled share-based transactions		–	–	–	615	–	–	615
Share options expired under share option scheme		–	–	–	(60)	–	60	–
(Loss) for the year (restated)		–	–	–	–	–	(5,161)	(5,161)
At 31 March 2005		54,381	38,445	45,348	555	8,317	(64,952)	82,094
At 1 April 2005		54,381	38,445	45,348	555	8,317	(64,952)	82,094
Available-for-sale securities:								
– changes in fair value		–	–	–	–	(5,262)	–	(5,262)
Equity settled share-based transactions		–	–	–	3,125	–	–	3,125
Share options expired under share option scheme		–	–	–	(844)	–	844	–
(Loss) for the year		–	–	–	–	–	(62,694)	(62,694)
At 31 March 2006		**54,381**	**38,445**	**45,348**	**2,836**	**3,055**	**(126,802)**	**17,263**

27. CAPITAL AND RESERVES (Continued)

(c) Share capital

(i) Authorised and issued share capital

	2006 No. of shares '000	2006 HK$'000	2005 No. of shares '000	2005 HK$'000
Authorised:				
Ordinary shares of HK$0.01 each	**8,000,000**	**80,000**	8,000,000	80,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each				
At 1 April and 31 March	**5,438,098**	**54,381**	5,438,098	54,381

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

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

Exercise periods	Exercise price	2006 Number	2005 Number
20 May 2004 to 21 June 2012	HK$0.12	**70,500,000**	118,000,000
18 August 2005 to 20 June 2012	HK$0.062	**55,000,000**	75,000,000
28 September 2005 to 20 June 2012	HK$0.0624	**2,000,000**	2,000,000
6 April 2006 to 20 June 2012	HK$0.0664	**5,000,000**	–
29 August 2006 to 20 June 2012	HK$0.063	**256,500,000**	–
17 February 2007 to 20 June 2012	HK$0.0278	**40,000,000**	–

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in note 30 to the financial statements.

27. CAPITAL AND RESERVES (Continued)

(d) Nature and purpose of reserves

(i) Contributed surplus

The contributed surplus of the Group represents the difference between the nominal value of the share capital issued by the Company and the aggregate of the share capital and the share premium accounts of the subsidiaries acquired pursuant to the Group reorganisation in 1996.

The contributed surplus of the Company represents the difference between the nominal value of the share capital issued by the Company and the aggregate net asset value of the subsidiaries acquired at the date of acquisition pursuant to the Group reorganisation in 1996. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of contributed surplus in certain circumstances.

(ii) Exchange reserve

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

(iii) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the balance sheet date and is dealt with in accordance with the accounting policies in notes 1(e) and (h).

e) Distributability of reserves

Under the Companies Act 1981 Bermuda, the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

(i) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium.

In the opinion of the directors, at 31 March 2006, the Company did not have any reserves available for distribution to equity shareholders (2005: Nil).

28. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2006	2005
	HK$'000	HK$'000
Unlisted shares, at cost	**–**	63,988
Amounts due from subsidiaries *(note a)*	**13,437**	49,567
	13,437	113,555
Allowance on amounts due from subsidiaries	**–**	(19,319)
	13,437	94,236

a) The amounts are unsecured, interest-free and have no fixed terms of repayment.

b) The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

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

Name	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued Share capital	Interest held
DiChain (Asia) Logistics Holdings Limited	The British Virgin Islands	Provision of logistics services	US$1	100%
Grand Huge International Limited	Hong Kong	Provision of Corporate services	HK$10,000	100%
Guangzhou DiChain Logistics Co., Ltd	PRC *(note i)*	Provision of logistics services	RMB9,500,000	60%

28. INVESTMENTS IN SUBSIDIARIES

b) (Continued)

Name	Place of Incorporation/ establishment	Principal activities and place Of operation	Particulars of issued share capital	Interest held
Inner Mongolia DiChain Logistics Co., Ltd	PRC *(note i)*	Provision of logistics services	RMB5,000,000	60%
Jiangxi DiChain Logistics Co., Ltd	PRC *(note i)*	Provision of logistics services	RMB500,000	60%
DiChain Warehouse Services (Shenzhen) Co., Ltd	PRC *(note ii)*	Provision of logistics services	USD$400,000	100%
DiChain Logistics Services (Shenzhen) Co., Ltd	PRC *(note ii)*	Provision of logistics services and property and investment holding	HK$35,000,000	100%

Notes:

(i) Domestic owned enterprise

(ii) Wholly foreign owned enterprise

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

None of the subsidiaries had issued any debt securities during the year or at the end of the year.

29. DEFINED CONTRIBUTION RETIREMENT PLAN

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the plan vest immediately.

Employees of subsidiaries in the PRC are members of a state-managed retirement benefit scheme ("PRC Scheme") operated by the relevant local government authorities in the PRC. The Group is required to contribute 8% to 23.5% of its payroll costs to the PRC Scheme to fund the benefits.

The only obligation of the Group with respect to the MPF Scheme and the PRC Scheme is to make the specified contributions. The amount contributed to the MPF Scheme and the PRC Scheme amounted to HK$259,000 (2005: HK$75,000) and HK$709,000 (2005: HK$132,000), respectively.

30. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme which was adopted on 21 June 2002 whereby, pursuant to a written resolution of the sole shareholder, was set up for the primary purpose of providing incentives to directors and eligible employees, and which will expire on 20 June 2012. Under the Scheme, the directors of the Company may grant options to eligible employees, including directors of any companies in the Group, to subscribe for shares in Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the issued share capital of the Company from time to time, without prior approval from shareholders of the Company. The number of shares in respect of which options may be granted to an individual in any one year is not permitted to exceed 1% of the Company's issued share capital or with a value in excess of HK$5 million; otherwise it must be approved by the shareholders of the Company.

The options may be exercised at any time from 12 months from the date of acceptance of the offer to the tenth anniversary of the date of grant. The exercise price is determined by the directors of the Company, and shall not be less than the higher of the closing price of the Company's shares on the date of grant, the average closing price of the shares for the five business days immediately preceding the date of grant and the nominal value of the shares of the Company. The options vest from 12 months from the date of grant and are then exercisable within a period up to 20 June 2012. Each option gives the holder the right to subscribe for one ordinary share in the Company.

30. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

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

	Number of instruments '000	Vesting conditions	Contractual life of options
Options granted to directors:			
– on 20 May 2003	65,500	1 year from the date of grant	7.83 years
– on 18 August 2004	45,000	1 year from the date of grant	6.62 years
– on 28 September 2004	2,000	1 year from the date of grant	6.50 years
– on 29 August 2005	46,000	1 year from the date of grant	5.58 years
– on 17 February 2006	30,000	1 year from the date of grant	5.12 years
Options granted to employees:			
– on 20 May 2003	5,000	1 year from the date of grant	7.83 years
– on 18 August 2004	10,000	1 year from the date of grant	6.62 years
– on 6 April 2005	5,000	1 year from the date of grant	5.99 years
– on 29 August 2005	210,500	1 year from the date of grant	5.58 years
– on 17 February 2006	10,000	1 year from the date of grant	5.12 years
Total share options	429,000		

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

	2006 Weighted average exercise price	**2006** Number of options '000	2005 Weighted average exercise price	2005 Number of options '000
Outstanding at the beginning of the year	**$0.097**	**195,000**	$0.120	149,500
Granted during the year	**$0.059**	**388,500**	$0.062	85,000
Lapsed during the year	**$0.080**	**(154,500)**	$0.108	(39,500)
	$0.069	**429,000**	$0.097	195,000
Outstanding at the end of the year	**$0.069**	**429,000**	$0.097	195,000
Exercisable at the end of the year	**$0.069**	**429,000**	$0.097	195,000

The options outstanding at 31 March 2006 had an exercise price of HK$0.069 (2005: HK$0.097) and a weighted average remaining contractual life of 6.05 years (2005: 7.35 years).

30. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a Black-Scholes Option Pricing Model ("BS-Model"). The contractual life of the option is used as an input into this model. Expectations of early exercise are incorporated into the B-S Model.

Fair value of share options and assumptions

	2006	2005
	HK$'000	HK$'000
Fair value at measurement date	**5,779,000**	2,654,000
Share price	**0.069**	0.097
Exercise price	**0.069**	0.097
Expected volatility (expressed as weighted average volatility used in the modelling under B-S model)	**59.38%**	43.93%
Option life (expressed as weighted average life used in the modelling under B-S model)	**6.05 years**	7.35 years
Expected dividends	**0.00%**	0.00%
Risk-free interest rate (based on Exchange Fund Notes)	**2.44%**	3.28%

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

31. FINANCIAL INSTRUMENTS

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

(a) Credit risk

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

31. FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

In respect of trade and other receivables, credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are due within 60 days from the date of billing. Credit periods will extend to 180 days for some major customers. Debtors with balances that are more than 3 months overdue are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

(b) Interest rate risk

The interest rates and maturity information of the Group's non-current loan receivable and bank loans are disclosed in notes 20 and 24 respectively.

(c) Foreign currency risk

As most of the Group's monetary assets and liabilities are denominated in Hong Kong Dollars, and Renminbi, and the Group conducted its business transactions principally in Hong Kong Dollars and Renminbi, all of which were relatively stable during the year under review, the Group experiences only immaterial exchange rate fluctuations. The Group considers that as the exchange rate risk of the Group is not significant, the Group did not employ any financial instruments for hedging purposes.

(d) Estimation of fair values

The estimation of fair values of share-based compensation is disclosed in note 30.

32. COMMITMENTS

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

	The Group	
	2006	2005
	HK$'000	HK$'000
Contracted for	**2,415**	264

At 31 March 2006, the capital commitments contracted for representing RMB2,500,000 registered capital of a subsidiary, Inner Mongolia DiChain Logistics Co., Ltd., which will fall due on 31 December 2006.

(b) In September 2005, the Group has entered into and Asset Transfer Deposit Agreement and a Loan Agreement with Hero Vantage Limited ("Hero"). A total amount of 60 millions was paid to Hero for the possible acquisition from Hero of certain logistics assets in Yixing, the PRC. Should the acquisition be confirmed before 31 December 2006, the Group may need to pay the balance of the possible consideration, which is still under negotiation.

(c) At 31 March 2006, the Company had no other material commitments.

33. CONTINGENT ASSETS AND LIABILITIES

As at 31 March 2006, approximately HK$87 million (2005: HK$85 million) of guarantee was given by the Company to banks in respect of banking facilities granted to a subsidiary. The extent of such facilities utilised by the subsidiary at 31 March 2006 amounted to approximately HK$86 million (2005: HK$85 million).

34. LITIGATION

(a) As disclosed in the announcements of the Company dated 1 February 2006 and 24 February 2006 and in the section of "Share Subscription", a litigation has been lodged against the Company and DiChain Logistics, a subsidiary of the Company, by GD Bank in relation to a default on repayment of a loan of approximately HK$28.8 million granted by GD Bank to DiChain Logistics. Subsequent to the share subscription by and issue of convertible notes to Orient Day, the bank loan was fully repaid on 21 June 2006.

(b) At 21 July 2006, the Group has three pending litigation claims from the ex-directors of a disposed subsidiary, DHL, who claim against the Group for a sum of not less than HK$11.4 million. The actions are only at very initial stage and it is not possible for the Group and its legal representative to ascertain the possible effects of the claims, nor to make any provision for the time being.

35. NON-ADJUSTING POST BALANCE SHEET EVENTS

(a) Share consolidation

By a special resolution passed on 22 May 2006, the shareholders of the Company approved to consolidate the ordinary shares of HK$0.01 each ("Old shares") in the capital of the Company into ordinary shares of HK$0.5 each ("New shares") on the basis of 50 into 1. The Company believe this will increase the nominal value of the Shares and trading price per broad lot of the Shares, which in turn will reduce the transaction and handling costs of the Company and the Shareholders whose shares are held through CCASS. Furthermore, the Directors consider that increase in the nominal value of the Shares, which concords the recent development of both international capital markets and the local securities market in Hong Kong, can further enhance the image of the Company and may attract investments from potential international investors who normally have better appetite for high-value stocks. The share consolidation was effected on 23 May 2006.

(b) Increase in authorised share capital

By the special resolution passed on 22 May 2006, the shareholders of the Company approved to increase the authorised share capital of the Company from HK$80,000,000 to HK$300,000,000 by the creation of 22,000,000,000 new shares to facilitate the assurance of the subscription shares, conversion shares and option shares.

35. NON-ADJUSTING POST BALANCE SHEET EVENTS (Continued)

(c) Subscription agreements

By the special resolution passed on 22 May 2006, the shareholders of the Company further approved:

(i) the subscription of 4,000,000,000 Old shares;

(ii) the issue of convertible notes in the principal amount of HK$30,000,000 to the Subscriber convertible into 3,000,000,000 Old shares; and

(iii) the grant of an option in respect of a right to subscribe for not more than 1,000,000,000 Old shares at the price of HK$0.01 per Old share.

The Company signed a Conditional Agreement and a Supplementary Agreement (collectively known as "Subscription Agreements") on 22 February 2006 and 20 March 2006 respectively. Pursuant to the Subscription Agreements between the Company and the Subscriber, Orient Day Developments Limited, the Company agreed to allot and issue, and the Subscriber agreed to subscribe in cash of HK$40,000,000 for a total of 4,000,000,000 subscription shares at a price of HK$0.01 per share, which represent approximately 73.6% of the existing issued share capital of the Company and 42.4% of the issued share capital as enlarged by the issue of the subscription shares.

Moreover, subject to the completion of the share subscription, the Shareholders of the Company agreed to issue to the Subscriber the Convertible Notes of HK$30,000,000. The convertible notes will bear interest from the date of issue of the Convertible notes at the rate of 4% per annum on the outstanding principal amount of the convertible notes, which will be payable by the Company quarterly in arrears. The maturity date of the convertible notes will be the date falling two years after the date of the issue of the convertible notes. The convertible notes are convertible at any time from the date of issue and up to the maturity date of the convertible notes.

The Subscriber has the further right to subscribe not more than 1,000,000,000 Option shares, which represent approximately 18.4% of the existing issued share capital of the Company, 8% of the issued share capital as enlarged by the issue of the Subscription shares and exercise of the convertible notes in full and 7.4% of the issued share capital as enlarged by the issue of the Subscription shares and the conversion and exercise of the convertible notes and option respectively in full.

The net proceeds from the share subscription and issue of convertible notes is estimated to be approximately HK$69.6 million, approximately HK$30.0 million of which was used for the settlement of the outstanding loan owned to Guangdong Development Bank, Shenzhen Xiangmihu Branch while the balance of the proceeds and the proceeds to be received upon exercise of the Option by the Subscriber (if any) shall be applied for general working capital of the Group.

35. NON-ADJUSTING POST BALANCE SHEET EVENTS (Continued)

(c) Subscription agreements (Continued)

On 24 May 2006, the Subscriber has been issued HK$40,000,000 ordinary shares and HK$30,000,000 Convertible Notes. Subsequently on 13 June 2006, the Subscriber irrevocably elected to convert the HK$30,000,000 Convertible Notes into 60,000,000 New shares of HK$0.5 each in the Company.

(d) Agreement for acquisition of an associate

On 15 July 2006, the Company entered into the Agreement with the Vendor, pursuant to which, the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to acquire the Sale Shares, which represents 40% of the issued share capital of the Joint Venture, China Coal Energy Holdings Limited, at a total consideration of HK$395.62 million, of which HK$100 million will be paid by the Company in cash and the balance of HK$295.62 million will be satisfied by the allotment and issue of the Consideration Shares to the Vendor and his nominees.

36. COMPARATIVE FIGURES

Certain comparative figures have been adjusted or re-classified as a result of the changes in accounting policies, details of which are disclosed in note 2. In addition, certain comparative figures have been reclassified to conform with the current year's presentation.

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

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

Amendments, as a consequence of the Hong Kong Companies (Amendment) Ordinance 2005, to:

– HKAS 1, Presentation of financial statements	1 January 2006
– HKAS 27, Consolidated and separate financial statements	1 January 2006
– HKFRS 3, Business combinations	1 January 2006
– HKFRS 7, Financial instruments: disclosures	1 January 2007
Amendment to HKAS 1, Presentation of financial statements: capital disclosures	1 January 2007

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

37. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31 MARCH 2006 (Continued)

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of HKFRS 6 and HK(IFRIC) 5 and the amendments to HKAS 1, HKAS 27 and HKFRS 3 made as a result of the Hong Kong Companies (Amendment) Ordinance 2005 are not applicable to any of the Group's operations and that adoption of the rest of them is unlikely to have a significant impact on the Group's results of operations and financial position.

RESULTS

	Year ended 31 March				
	2002	2003	2004	2005	**2006**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
TURNOVER	62,811	36,337	27,769	34,145	**75,157**
NET PROFIT (LOSS) FOR THE YEAR	(129,292)	13,453	14,262	(19,591)	**(77,569)**

ASSETS AND LIABILITIES

	At 31 March				
	2002	2003	2004	2005	**2006**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
TOTAL ASSETS	196,899	212,711	243,235	243,009	**156,787**
TOTAL LIABILITIES	(140,362)	(99,665)	(124,046)	(117,823)	**(103,080)**
MINORITY INTERESTS	(7,771)	(6,711)	–	(3,317)	**(4,024)**
SHAREHOLDERS' FUNDS	48,766	106,335	119,189	121,869	**49,683**

The results and assets and liabilities for the two years ended 31 March 2002 have been extracted from the audited consolidated financial statements of Dransfield Holdings Limited.