CHINA MERCHANTS DICHAIN (ASIA) LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 0632)

RESULTS ANNOUNCEMENT
FINANCIAL YEAR ENDED 31 MARCH 2006

The board of directors (the "Board") of China Merchants DiChain (Asia) Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2006 together with the comparative figures for the year 2005 as follows:

	Notes	**2006** HK$'000	2005 Restated HK$'000
Turnover	*3*	**75,157**	34,145
Cost of sales		**(54,207)**	(21,695)
Gross profit		**20,950**	12,450
Other revenue and net income		**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		**–**	(4,000)
(Loss) from operations		**(2,201)**	(13,251)
Finance costs		**(6,138)**	(5,473)
Finance lease charges		**(17)**	(13)
Gain on disposal of subsidiaries		**11,478**	431
(Loss) on impairment of deposit and other loans receivable	*5*	**(72,300)**	(174)
(Loss) on impairment of leasehold land and building		**(5,468)**	–
(Loss) on impairment of goodwill		**(1,884)**	–
(Loss) on disposal of discontinued operation		**–**	(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	*7*	**(1,039)**	(435)
(Loss) for the year		**(77,569)**	(19,591)
Attributable to:			
Equity shareholders of the Company		**(78,276)**	(19,574)
Minority interests		**707**	(17)
(Loss) for the year		**(77,569)**	(19,591)
(Loss) per share	*8*		
Basic		**(1.44) cents**	(0.38) cents
Diluted		**N/A**	N/A

Notes:

1. BASIS OF PREPARATION

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. They have been prepared under the historical cost basis except that the financial instruments classified as available-for-sale securities are stated at their fair value.

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 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.

(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)
Loss on disposal of discontinued operation	(156)	–	–	–	–	(156)
Allowance for doubtful debts	(174)	–	–	–	–	(174)
Loss on disposal of an associate	(2,346)	–	–	–	–	(2,346)
Profits 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)
	(18,438)	(615)	(538)	–	(1,153)	(19,591)
Minority interest	17	–	–	–	–	17
(Loss) for the year	(18,421)	(615)	(538)	–	(1,153)	(19,574)

	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*
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
Amortisation of land lease premium	–	–	–	526	526	526

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	24,728	–	–	–	–	24,728
Loans receivable	71,568	–	–	–	–	71,568
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	–	–	–	–	403,851
Translation reserve	3,426	–	–	–	–	3,426
Share-based compensation reserves	–	615	–	–	615	615
Fair value reserve	–	–	–	538	538	538
Accumulated losses	(378,234)	(615)	–	(538)	(1,153)	(379,387)
	121,869	–	–	–	–	121,869
Attributable to minority interests	3,317	–	–	–	–	3,317
	125,186	–	–	–	–	125,186

(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 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)		
	HKAS 17	**HKAS 32 & 39**	**Total**
	(note 2(f))	*(note 2(g))*	
	HK$'000	*HK$'000*	*HK$'000*
Gain on disposal of subsidiaries	–	(8,286)	(8,286)
(Loss) before taxation	–	(8,286)	(8,286)
Income tax	–	–	–
(Loss) for the year	–	(8,286)	(8,286)
Attributable to:			
Equity shareholders of the minority	–	(8,286)	(8,286)
Minority interests	–	–	–
(Loss) for the year	–	(8,286)	(8,286)
Other significant disclosure items:			
Transfer from equity on disposal of available-for-sale securities	–	(8,286)	(8,286)
Depreciation	526	–	526
Amortisation of land lease premium	(526)	–	(526)

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

	Effect of new policy (increase/(decrease) in profit for the year)		
	HKAS 17	**HKAS 36**	**Total**
	(note 2(f))	*(note 2(d))*	
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Other property, plant and equipment	(19,194)	–	(19,194)
Land lease premium	19,194	–	19,194
Goodwill	–	(1,884)	(1,884)
Net assets	–	(1,884)	(1,884)
Capital and reserves			
Effect attributable to equity shareholders of the company			
Retained profits	–	(1,884)	(1,884)
	–	(1,884)	(1,884)
Effect attributable to minority interests	–	–	–
	–	(1,884)	(1,884)

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 36 *(note 2(d))* *HK$'000*
For the year ended 31 March 2006	
Attributable to equity shareholders of the company	(1,884)
Minority interests	–
Total equity	(1,884)

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)) HKAS 32 & 39 *(note 2(g))* *HK$'000*
Attributable to equity shareholders of the company	(3,055)
Minority interests	–
Total equity	(3,055)

(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.

(d) Amortisation of positive and negative goodwill (HKFRS 3, Business combinations and HKAS 36, Impairment of 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 recognsied in the income statement until disposal or impairment of the acquired business;

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

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

With effect from 1 January 2005, in order to comply with HKFRS 3 and HKAS 36, the Group has changed its accounting policies relating to goodwill. Under the new policy, the Group no longer amortises positive goodwill but tests it at least annually for impairment. Also with effect from 1 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.

(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.

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

4. 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 the last year,

Primary reporting format – business segments

	Continuing operations Logistics 2006 HK$'000	Continuing operations Logistics 2005 HK$'000	Discontinued operation Electronic household appliances 2006 HK$'000	Discontinued operation Electronic household appliances 2005 HK$'000	Inter-segment elimination 2006 HK$'000	Inter-segment elimination 2005 HK$'000	Consolidated 2006 HK$'000	Consolidated 2005 HK$'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
Loss on impairment of leasehold land and building							**(5,468)**	–
Loss on impairment of deposit and other loans receivables							**(72,300)**	(174)
(Loss) on impairment of goodwill							**(1,884)**	–
Taxation							**(1,039)**	(435)
(Loss) after taxation							**(77,569)**	(19,591)
Depreciation and amortization for the year	**4,884**	4,752						
Impairment of								
– fixed assets	**5,468**	–						
– positive goodwill	**1,884**	–						

Inter-segment sales are charged at prevailing market rates.

	Continuing operations Logistics		Discontinued operation Electronic household appliances		Inter-segment elimination		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'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

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 the 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

5. **(LOSS) ON IMPAIRMENT OF DEPOSIT AND OTHER LOANS RECEIVABLE**

Provision for doubtful debts 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	**18,000**	–
Deposit	**42,000**	–
Loans receivable	**12,300**	–
Accounts receivable	**–**	174
	72,300	174

6. **(LOSS) BEFORE TAXATION**

(Loss) before taxation is arrived at after charging (crediting):

	2006	2005
	HK$'000	*HK$'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 prepaid lease payment	**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. **INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT**

(a) Taxation in the consolidated income statement represents:

	2006	2005
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**–**	–
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	2005
	HK$'000	*HK$'000*
(Loss) before tax	**(68,492)**	(18,541)
Notional tax on (loss) before tax, calculated at the rates applicable to profits in the countries concerned	**(10,274)**	(2,781)
Tax effect of non-deductible expenses	**13,110**	2,492
Tax effect of non-taxable income	**(2,972)**	(1,889)
Tax effect of unused tax losses not recognized	**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

8. (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 shares 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

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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.

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.

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.

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.

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).

Provision for doubtful debts

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 serious and important. Enquiries have been made with former board members and management and those relevant parties involved in the above matters but the information available, 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 by adopting a prudent approach.

In addition, the new Board has also decided to make full provision for two loans receivable totaled HK$12.3 million by taking a conservative approach, 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 Shareholder.

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.

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 Lastest 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. 7,770,000 consolidated options 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.

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.

BOARD OF DIRECTORS

As at the date hereof, the Board comprises six executive Directors, namely Mr. Wong Yuk Kwan (alias: Wong Kwan), Mr. Lin Xizhong, Mr. Chan Yiu Keung, Mr. Cheung Kwok Yu, Mr. Zhou Li Yang, Mr. Zheng Yingsheng; one non-executive Director, namely Dr. Robert Fung Hing Piu; and three independent non-executive Directors, namely Dr. Anwar Ibrahim, Dr. Lee G. Lam and Mr. Victor Yang.

By Order of the Board
Wong Kwan
Chairman

Hong Kong, 26 July 2006

Please also refer to the published version of this announcement in The Standard.