



MP Logistics International Holdings Limited
MP 物流國際控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8239)



ANNUAL REPORT 2005-2006



* For identification purposes only

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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■ EXECUTIVE DIRECTORS

Yeung Leung Kong (*Chairman*)
(*appointed as Chairman on 8 March 2006*)
Wong Kwong Kwok (*Ex-Chairman*)
(*resigned on 8 March 2006*)

■ NON-EXECUTIVE DIRECTOR

Ong Chor Wei (*appointed on 8 March 2006*)

■ INDEPENDENT NON-EXECUTIVE DIRECTORS

Wong Ah Chik
Leung Wai Ling, Wylie
Liu Feng

■ REGISTERED OFFICE

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681GT
George Town
Grand Cayman
Cayman Islands
British West Indies

■ HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit A, 22nd Floor, EIB Centre
Nos. 40-44 Bonham Strand East
Sheung Wan
Hong Kong

■ COMPANY HOMEPAGE/WEBSITE

<http://www.marinepower.org>

■ COMPLIANCE OFFICER

Yeung Leung Kong

■ AUTHORISED REPRESENTATIVES

Yeung Leung Kong
Ong Chor Wei (*appointed on 8 March 2006*)
Wong Kwong Kwok (*resigned on 8 March 2006*)

■ QUALIFIED ACCOUNTANT

Wong Chi Ling, FCCA, CPA
(*appointed on 17 October 2005*)
Leung King Fai, CPA (Aust.), CPA
(*resigned on 17 October 2005*)

■ COMPANY SECRETARY

Wong Chi Ling, FCCA, CPA
(*appointed on 17 October 2005*)
Leung King Fai, CPA (Aust.), CPA
(*resigned on 17 October 2005*)

■ AUDIT COMMITTEE

Liu Feng (*Chairman*)
Wong Ah Chik
Leung Wai Ling, Wylie

■ PRINCIPAL BANKER

DBS Bank (Hong Kong) Limited

■ AUDITORS

Baker Tilly Hong Kong Limited
Certified Public Accountants

■ PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Bermuda (Cayman) Limited
P.O. Box 513 GT
Strathvale House
North Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

■ HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

■ STOCK CODE

8239

On behalf of the Board, I am pleased to present the Annual Report of MP Logistics International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 March 2006 to our shareholders.

■ MARKET OVERVIEW

The Group's high turnover in the previous year was not maintained this year due to lower pricing and decrease in services provided to some existing customers as they adopted a change in their logistics flow of goods. However, eyeing the opportunities in the logistics sector in the People's Republic of China ("PRC") with the increased trade volume in the PRC with the world following the PRC's entry to the World Trade Organisation (WTO), the Group believes that it needs to position itself in terms of market sector and geographical area in order to compete effectively in the competitive and challenging environment.

■ FINANCIAL REVIEW

For the year ended 31 March 2006, the Group recorded a turnover of approximately HK\$65.7 million, a decrease of approximately 19.8%, compared to the previous corresponding year. The decrease in turnover was due to lower pricing for services provided to new and existing customers owing to intensive competition in the logistics industry and decrease in services provided to some existing customers as they adopted a change in their logistics flow of goods. During the year, income derived from logistics services relating to sea freight forwarding, road freight forwarding, air freight forwarding and other related logistics services accounted for approximately 66%, 31%, 1% and 2% respectively of the Group's total turnover (2005: 60%, 32%, 6% and 2% respectively).

During the year, the Group has net loss attributable to shareholders amounted to approximately HK\$6.6 million, a reduce of 16.5% compared to approximately HK\$7.9 million in the previous corresponding year. The gross profit margin decreased from approximately 9.3% for the previous corresponding year to 8.2% for the year ended 31 March 2006 owing to increasing competitive and challenging business environment in the logistics industry. Selling and distribution costs decreased by approximately 24.0% from approximately HK\$2.5 million in the previous corresponding year to approximately HK\$1.9 million in the current year as reduction in overseas traveling expenses and less spending in entertainment took place due to stricter costs control. Administrative expenses of the Group amounted to approximately HK\$11.6 million, a decrease of approximately 20.0% compared to approximately HK\$14.5 million in the previous corresponding year. The decrease was mainly due to write-off of bad debts of approximately HK\$2 million in previous corresponding year but none was recorded in the current year. However, the decrease was partially offset by loss on disposals of fixed assets in the current year of approximately HK\$0.5 million and increase in motor vehicle expenses due to increase in the number of vehicles owned by the Group.

■ PROSPECTS AND APPRECIATION

The Group is cautious of its prospects. With the continued commitment from the Hong Kong Government in enhancing and strengthening Hong Kong's role as a logistics hub, and with the opening of the Shenzhen Western Corridor which would link Hong Kong and Shenzhen and the planning of the Hong Kong-Zhuhai-Macao Bridge, the Group believes that opportunities to the Group will increase. However, with the entry of more competitors into the market, the pricing for services are under pressure.

Nevertheless, the Group will continue to expand its customer base, lower its costs and improve its image and services. The Group is also looking at suitable business opportunities to strengthen its revenue base and improve shareholders return.

Lastly, on behalf of the Board, I would like to take this opportunity to express our gratitude to all employees, shareholders, partners and customers for their continued support and dedication.

Yeung Leung Kong

Chairman

Hong Kong
22 June 2006

■ OPERATIONAL REVIEW

General

The Group is principally engaged in coordinating various logistics services for its customers. The logistics services provided by the Group include sea freight forwarding, road freight forwarding, air freight forwarding and other related logistics services such as customs clearance and declaration, arranging insurance policies for customers, repackaging and storage services. The services provided for each assignment may consist of a combination of the above services. It is the objective of the Group to become one of the pivotal players in the logistics services markets in the Greater China Region.

The Group's high turnover in the previous year was not maintained this year due to lower pricing and decrease in services provided to some existing customers as they adopted a change in their logistics flow of goods. However, eyeing the opportunities in the logistics sector in the PRC with the increased trade volume in the PRC with the world following the PRC's entry to the World Trade Organisation (WTO), the Group believes that it needs to position itself in terms of market sector and geographical area in order to compete effectively in the competitive and challenging environment.

■ FINANCIAL REVIEW

Results

For the year ended 31 March 2006, the Group recorded a turnover of approximately HK\$65.7 million, a decrease of approximately 19.8%, compared to the previous corresponding year. The decrease in turnover was due to lower pricing for services provided to new and existing customers owing to intensive competition in the logistics industry and decrease in services provided to some existing customers as they adopted a change in their logistics flow of goods. During the year, income derived from logistics services relating to sea freight forwarding, road freight forwarding, air freight forwarding and other related logistics services accounted for approximately 66%, 31%, 1% and 2% respectively of the Group's total turnover (2005: 60%, 32%, 6% and 2% respectively).

During the year, the Group has net loss attributable to shareholders amounted to approximately HK\$6.6 million, a reduce of 16.5% compared to approximately HK\$7.9 million in the previous corresponding year. The gross profit margin decreased from approximately 9.3% for the previous corresponding year to 8.2% for the year ended 31 March 2006 owing to increasing competitive and challenging business environment in the logistics industry. Selling and distribution costs decreased by approximately 24.0% from approximately HK\$2.5 million in the previous corresponding year to approximately HK\$1.9 million in the current year as reduction in overseas traveling expenses and less spending in entertainment took place due to stricter costs control. Administrative expenses of the Group amounted to approximately HK\$11.6 million, a decrease of approximately 20.0% compared to approximately HK\$14.5 million in the previous corresponding year. The decrease was mainly due to write-off of bad debts of approximately HK\$2 million in previous corresponding year but none was recorded in the current year. However, the decrease was partially offset by loss on disposals of fixed assets in the current year of approximately HK\$0.5 million and increase in motor vehicle expenses due to increase in the number of vehicles owned by the Group.

6 Management Discussion and Analysis

Liquidity, financial resources and capital structure

As at 31 March 2006, the Group had net current assets of approximately HK\$6.1 million (2005: approximately HK\$12.4 million) including cash and bank balance of approximately HK\$1.5 million. The Group had no bank overdraft as at 31 March 2006. As at 31 March 2005, the Group had cash and bank balance (including a time bank deposit) of approximately HK\$10.5 million and bank overdraft of approximately HK\$11.1 million.

As at 31 March 2006, the Group had no overdraft facilities. As at 31 March 2005, overdraft facilities amounting to HK\$12 million were granted to a subsidiary of the Company. These facilities were supported by a corporate guarantee executed by the Company in favour of the bank. In addition, as a condition for such facilities, the Group had to maintain deposits with the bank of an amount of not less than HK\$10 million. As at 31 March 2006, the Group had no bank borrowings (2005: approximately HK\$11.1 million) and as at the same date, the Group had obligations under finance leases of approximately HK\$1.7 million (2005: approximately HK\$0.2 million), of which approximately HK\$0.7 million was repayable within one year (2005: approximately HK\$0.2 million) and approximately HK\$1.0 million was repayable beyond one year but within five years (2005: Nil). The debt ratio (defined as total liabilities over total assets) of the Group as at 31 March 2006 was approximately 0.44 (2005: approximately 0.49).

The functional currencies of the Group's operations are Hong Kong Dollars and Renminbi, hence the Board considers that the exposure to foreign exchange risk of the Group is limited. No hedging or other arrangements to reduce the currency risk have been implemented.

The shares of the Company have been listed on GEM since 15 November 2002. There has been no change in the capital structure of the Company since that date.

Significant investment

As at 31 March 2006, there was no significant investment held by the Group (2005: Nil).

Material acquisitions or disposals of subsidiaries and affiliated companies

There were no material acquisitions or disposals of subsidiaries and affiliated companies during the year.

Segment information

Segment information is presented in respect of the Group's geographical segments. In determining the Group's geographical segments, revenues and results are attributed to the segment based on the location where the services are rendered, and assets are attributed to the segment based on the location of the assets. As all the Group's services are rendered in Hong Kong, no further geographical analysis of revenue or results is presented.

No information in respect of the Group's business segments is presented as the Group is solely engaged in the provision of logistics services.

Details of the segment information are presented in note 4 to the accounts in this annual report.

Employee information

As at 31 March 2006, the Group employed a total of 18 (2005: 18) employees. The salaries and benefits of the Group's employees are maintained at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong. The Group also operates a share option scheme where options to subscribe for shares of the Company may be granted to the executive directors and full-time employees of the Group. As at 31 March 2006, no share options have been granted to employees.

Staff costs, excluding directors' remuneration, increased by approximately 3.9% to approximately HK\$2,793,000 (2005: approximately HK\$2,687,000). The increase is attributed to the increment of salaries.

Future plans for material investments or capital assets and expected source of funding

As at 31 March 2006, the Group did not have any plan for material investments or capital assets. Nevertheless, the Group is constantly looking for opportunities for investments or capital assets to enhance shareholders' value.

Contingent liabilities

On 13 April 2006, a customer filed a writ of summons against Marine Power Company Limited, a wholly owned subsidiary of the Group as the second defendant, to recover the cargo of goods. According to the documentation filed to the court, the potential claim of failing to recover the cargo of goods will be approximately HK\$580,000. No provision has been made in the accounts as the case is still under negotiation with the lawyer for the plaintiff.

The Group provided guarantees for general banking facilities granted to a wholly-owned subsidiary during the first half of the financial year. The banking facilities had lapsed on 12 September 2005 and were not renewed. The Group had no other banking facilities during the year. As at 31 March 2005, the Group had contingent liabilities in relation to the above mentioned guarantees and approximately HK\$11.1 million of the banking facilities was utilised at that date.

The Group and the Company had no other material contingent liabilities as at 31 March 2006 (2005: Nil).

■ EXECUTIVE DIRECTORS

Yeung Leung Kong, aged 46, is the managing director and founder of the Group. Mr. Yeung is responsible for the operational and marketing functions of the Group. He holds a certificate in shipping practise and management from the Hong Kong Polytechnic. Prior to founding the Group, Mr. Yeung was the operational director of a shipping and logistics company in Hong Kong. Mr. Yeung was appointed as an executive director in June 2002 and was appointed as the chairman of the Group following the resignation of Mr. Wong Kwong Kwok as the chairman of the Group in March 2006.

Wong Kwong Kwok, resigned as the chairman of the Group and an executive director of the Company with effect from 8 March 2006.

■ NON-EXECUTIVE DIRECTOR

Ong Chor Wei, aged 36, graduated from London School of Economics and Political Science, University of London with a Bachelor of Laws Degree. He also holds a Master Degree in Business Administration jointly awarded by the University of Wales and University of Manchester. He is an associate member of the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Ong is currently a non-executive director of Jets Technics International Holdings Limited (a company listed on the Singapore Exchange Securities Trading Limited). In addition, Mr. Ong was a non-executive director of Eagle Nice (International) Holdings Limited (a company listed on the Main Board of the Stock Exchange) during the period from October 2002 to October 2005 and an executive director of FX Creations International Holdings Limited (a company listed on the GEM of the Stock Exchange) during the period from January 2002 to April 2006. Mr. Ong was appointed as a non-executive director in March 2006.

■ INDEPENDENT NON-EXECUTIVE DIRECTORS

Wong Ah Chik, aged 47, is a general manager of an electronics trading company in Hong Kong. He was appointed as an independent non-executive director in June 2002.

Leung Wai Ling, Wylie, aged 38, holds a bachelor degree in business administration from the City University of New York in the U.S. She is currently an accounting and administration manager for an international trading and manufacturing company in Hong Kong. She was an independent non-executive director of IA International Holdings Limited (a company listed on the GEM of the Stock Exchange) during the period from June 2001 to August 2005. She was appointed as an independent non-executive director in June 2002.

Liu Feng, aged 29, holds a bachelor degree in economic, major in international accounting, from Jiangxi University of Finance and Economics in July 2000. He has been working as a manager of the finance department in an electrical manufacturing company in Shenzhen since August 2000. He was appointed as an independent non-executive director in January 2004.

■ SENIOR MANAGEMENT

Wong Kwong Kwok, aged 44, is the ex-director of the Company and co-founder of the Group. He resigned as an executive director of the Company with effect from 8 March 2006 for personal reasons on his own accord. He is responsible for the operational functions of the Group. Prior to joining the Group, he was the operational manager of a general trading company in Hong Kong.

Lee Chee Kin, aged 58, is the sales and marketing manager of the Group. Mr. Lee is responsible for the sales and marketing functions of the Group. Prior to joining the Group in October 1998, he worked as a manager in a transportation company in Hong Kong.

Wong Chi Ling, aged 34, is the accounting manager, company secretary and qualified accountant of the Group. Ms. Wong is responsible for the financial and accounting functions of the Group. She holds a Bachelor of Arts in Accountancy (honors) from the Hong Kong Polytechnics. She is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group in October 2005, she was a qualified accountant and company secretary of a listed company on the GEM of the Stock Exchange, China Photar Electronics Group Limited (formerly known as "Vaso Digital International Holdings Limited").

Leung King Fai, resigned as the accounting manager, company secretary and qualified accountant of the Group with effect from 17 October 2005.

(A) ■ CORPORATE GOVERNANCE PRACTICES

The Group is committed to promoting high standards of corporate governance. The directors of the Company believe that sound and reasonable corporate governance practices are essential for the growth of the Group and for safeguarding the shareholders' interests and the Group's assets.

During the year ended 31 March 2006, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 15 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules"), except the following:

1. A.2.1 of the CG Code requires the roles of chairman and chief executive officer to be separate and not be performed by the same individual. The roles of chairman and the chief executive officer of the Company are presently taken up by Mr. Yeung Leung Kong, an executive Director of the Company. Before 8 March 2006, the Chairman of the Company was Mr. Wong Kwong Kwok and the Chief Executive Officer was Mr. Yeung Leung Kong. Following the resignation of Mr. Wong Kwong Kwok on 8 March 2006, the roles of both Chairman and Chief Executive Officer are taken up by Mr. Yeung Leung Kong. The Company is aware of the requirement of a clear division of responsibilities for these two roles and is actively seeking for a suitable candidate to take up the role of the Chairman from Mr. Yeung Leung Kong to ensure that power is not concentrated in any one individual.
2. A.4.1 of the CG Code requires that non-executive directors should be appointed for a specific term, subject to re-election. Currently, all independent non-executive Directors of the Company are not appointed for a specific term. They are, however, subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Articles of Association of the Company. Since their appointment will be reviewed when they are due for re-election, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those set out in the CG Code.
3. A.4.2 of the CG Code requires that all directors appointed to fill a casual vacancy should be subject to re-election at the first general meeting after their appointment and that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Under the provisions of the existing Articles of Association of the Company, any directors appointed to fill a casual vacancy shall hold office until the next following annual general meeting and at each annual general meeting of the Company one-third of the directors for the time being or if their number is not three or a multiple of three then the number to the nearest one-third shall retire from office. In addition, it is also provided in the existing Articles of Association of the Company that the Chairman and the Managing Director 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 each year.

In order to comply with A.4.2 of the CG Code, amendments to the Company's Articles of Association will be proposed at the forthcoming annual general meeting to specify that all directors appointed to fill a casual vacancy should be subject to re-election at the first general meeting after their appointment and all directors, including the Chairman and the Managing Director, shall be subject to retirement by rotation at least once every three years whether or not they are appointed for a specific term.

(B) ■ DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct for securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Code"). During the year ended 31 March 2006, the Company had made specific enquiry to all Directors and the Company was not aware of any non-compliance with the required standard set out in the Code.

(C) ■ BOARD OF DIRECTORS

At present, the Board of the Company comprises five members as follows:

Executive Directors:

Mr. Wong Kwong Kwok (*Ex-Chairman*) (*Resigned on 8 March 2006*)

Mr. Yeung Leung Kong (*Managing Director and newly appointed Chairman since 8 March 2006*)

Non-executive Director:

Mr. Ong Chor Wei (*Appointed on 8 March 2006*)

Independent non-executive Directors:

Mr. Wong Ah Chik

Ms. Leung Wai Ling, Wylie

Mr. Liu Feng

The Company believes that it is headed by an effective Board, lead by Mr. Yeung Leung Kong, which assumes responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs.

The Board meets regularly on a quarterly basis. Apart from the regular board meetings of the year, the Board also meets on other occasions when a Board-level decision on a particular matter is required. All Directors are provided with details of agenda items for decisions making with reasonable notice. Directors have access to the advice and services of the Company Secretary who is responsible for ensuring that the Board procedures are complied with and advising the Board on compliance matters. Directors are also provided with access to independent professional advice, where necessary, in carrying out their obligations as Directors of the Company, at the expense of the Company. Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed would not be counted in the quorum of meeting and would abstain from voting on the relevant resolution.

12 Corporate Governance Report

Generally, the responsibilities of the Board include:

- Formulation of operational strategies and review of its financial performance and results and the internal control systems;
- Policies relating to key business and financial objectives of the Company;
- Material acquisitions, investments, disposal of assets or any significant capital expenditure;
- Appointment, removal or reappointment of Board members and auditors;
- Remuneration of Directors;
- Communication with key stakeholders, including shareholders and regulatory bodies;
- Recommendation to shareholders on final dividend and the declaration of any interim dividends.

Decisions regarding the daily operation and administration of the Company are delegated to the management, lead by the Chief Executive Officer, Mr. Yeung Leung Kong.

The attendance rates of Directors at the Board meetings in the year ended 31 March 2006 are detailed in the following table.

Directors	Board	
	No. of Meetings Held	No. of Meetings Attended
Mr. Wong Kwong Kwok (<i>resigned on 8 March 2006</i>)	4	4
Mr. Yeung Leung Kong	4	4
Mr. Ong Chor Wei (<i>appointed on 8 March 2006</i>)	–	–
Mr. Wong Ah Chik	4	4
Ms. Leung Wai Ling, Wylie	4	4
Mr. Liu Feng	4	4

All Directors, including the non-executive Directors, of the Company assume the responsibilities to the shareholders of the Company for the well-being and success of the Company. They are aware of their duties to act in good faith and in the best interests of the Company.

The Board is responsible for maintaining proper accounting records so as to enable the Directors to monitor the Company's overall financial position. The Board updates shareholders on the operations and financial position of the Group through quarterly, half yearly and annual results announcements as well as the publication of timely announcements of other matters as prescribed by the relevant rules and regulations.

Each of the independent non-executive Directors has made an annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

(D) ■ CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Before 8 March 2006, the Chairman of the Company was Mr. Wong Kwong Kwok and the Chief Executive Officer was Mr. Yeung Leung Kong. With the resignation of Mr. Wong Kwong Kwok from 8 March 2006, the roles of both Chairman and Chief Executive Officer are taken up by Mr. Yeung Leung Kong. The Company is aware of the requirement of a clear division of responsibilities for these two roles and is actively seeking for a suitable candidate to take up the role of the Chairman from Mr. Yeung Leung Kong to ensure that power is not concentrated in any one individual.

(E) ■ NON-EXECUTIVE DIRECTORS

The Company has one non-executive Director, Mr. Ong Chor Wei and three independent non-executive Directors, Mr. Liu Feng, Ms. Leung Wai Ling, Wylie and Mr. Wong Ah Chik.

The non-executive Director, Mr. Ong Chor Wei, is appointed for a period of two years and is subject to re-election at the annual general meeting of the Company in accordance with the Articles of Association of the Company. Whereas the three independent non-executive Directors are not appointed for a fixed term of office, but they are subject to the provisions governing the retirement and rotation of Directors in the Articles of Association of the Company, which require one-third of the Directors in office to retire from office by rotation at each annual general meeting except the Chairman and/or Managing Director, i.e. Mr. Yeung Leung Kong. In order to comply with A.4.2 of the CG Code, amendments will be proposed at the forthcoming annual general meeting to specify that every Director shall be subject to retirement by rotation at least once every three years.

(F) ■ REMUNERATION OF DIRECTORS

A remuneration committee ("RC") was set up on 20 March 2006 to oversee the remuneration policy and structure for all Directors and senior management. The RC is chaired by Ms. Leung Wai Ling, Wylie (Independent non-executive Director) and has two other members, Mr. Ong Chor Wei (Non-executive Director) and Mr. Wong Ah Chik (Independent non-executive Director). The role of the RC is to recommend to the Board a framework for remunerating the Directors and key executives and to determine specific remuneration packages for them. They are provided with sufficient resources by the Company to discharge its duties.

The remuneration package for executive Directors comprises a basic salary and a performance related bonus for their contributions. All revision to the remuneration packages of the Directors are subject to the review and approval of the Board. Details of Directors' remuneration are set out in note 8 to the accounts in this annual report.

The attendance rates of RC members at the RC meetings in the year ended 31 March 2006 are detailed in the following table.

Directors	Remuneration Committee	
	No. of Meetings Held	No. of Meetings Attended
Ms. Leung Wai Ling, Wylie (Chairman of RC)	1	1
Mr. Ong Chor Wei	1	1
Mr. Wong Ah Chik	1	1

(G) ■ NOMINATION OF DIRECTORS

The Company has not established a nomination committee. The Board is empowered under the Company's Articles of Association to appoint any person as a director to fill a casual vacancy or as an additional member of the Board. Qualified candidates will be proposed to the Board for consideration and the selection criteria are based on the assessment of their professional qualifications and experience, character and integrity.

(H) ■ AUDITORS' REMUNERATION

During the year ended 31 March 2006, the fees paid to the auditors in respect of audit and non-audit services provided by the auditors of the Group were as follows:

Nature of services	Amount (HK\$)
Audit services	240,000
Non-audit services	
Taxation compliance services	15,424

(I) ■ AUDIT COMMITTEE

The Audit Committee ("AC") of the Company comprises the three independent non-executive Directors and headed by Mr. Liu Feng. The AC performs, amongst others, the following functions:

- ensure that co-operation is given by the Company's management to the external auditors where applicable;
- review the Group's quarterly, half-yearly and annual results announcements and the financial statements prior to their recommendations to the Board for approval;
- review the Group's financial reporting process and internal control system; and
- review of transactions with interested persons.

The attendance rates of AC members at the AC meetings in the year ended 31 March 2006 are detailed in the following table.

Directors	Audit Committee	
	No. of Meetings Held	No. of Meetings Attended
Mr. Liu Feng (Chairman of AC)	4	4
Ms. Leung Wai Ling, Wylie	4	4
Mr. Wong Ah Chik	4	4

(J) ■ ACCOUNTABILITY AND AUDIT

The Board acknowledges its responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group. The Board is not aware of any material uncertainties relating to events or condition that might cast significant doubt upon the Company's ability to continue in business. Accordingly, the Board has prepared the financial statements of the Company on a going concern basis.

The Board also acknowledges its responsibility to present a balanced, clear and understandable assessment in the Company's annual, half-yearly and quarterly reports, other price-sensitive announcements and other financial disclosures required under the GEM Listing Rules, and reports to the regulators as well as to information required to be disclosed pursuant to statutory requirements.

(K) ■ INTERNAL CONTROL

The Board has conducted annual review on the system of internal control of the Group and its effectiveness covering the financial, operational, compliance controls and risk management functions. The Board is committed to implementing an effective and sound internal control system to safeguard the interest of shareholders and the Group's assets.

The directors herein present their annual report and the audited financial statements of MP Logistics International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries of the Company are set out in note 15 to the accounts. There have been no significant changes in the nature of the Group's principal activities during the year.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activities and geographical areas of operations for the year is set out in note 4 to the accounts.

RESULTS AND DIVIDENDS

The Group's consolidated loss for the year ended 31 March 2006 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 25 to 50.

The directors do not recommend any dividends during the year.

SUMMARY FINANCIAL INFORMATION

The following is a summary of the consolidated results of the Group for each of the five years ended 31 March 2006 and of the assets and liabilities of the Group as at 31 March 2006, 2005, 2004, 2003 and 2002 prepared on the basis set out in the note below.

CONSOLIDATED RESULTS

	Year ended 31 March				
	2006	2005	2004	2003	2002
	HK\$	HK\$	HK\$	HK\$	HK\$
Turnover	65,732,461	81,915,517	53,719,738	32,647,984	17,840,933
(Loss)/Profit before income tax	(8,128,187)	(9,700,621)	376,784	2,638,176	1,619,712
Income tax	1,510,048	1,755,060	(175,564)	(417,411)	(220,000)
Net (loss)/profit attributable to shareholders	(6,618,139)	(7,945,561)	201,220	2,220,765	1,399,712

■ CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 March				
	2006 HK\$	2005 HK\$	2004 HK\$	2003 HK\$	2002 HK\$
Non-current assets	6,090,848	5,585,250	2,087,550	1,707,446	875,405
Current assets	13,336,634	28,563,783	32,940,501	28,039,662	6,415,045
Current liabilities	7,234,226	16,194,208	9,200,791	3,863,774	2,062,082
Net current assets	6,102,408	12,369,575	23,739,710	24,175,888	4,352,963
Non-current liabilities	1,267,570	411,000	337,874	595,168	62,637
	10,925,686	17,543,825	25,489,386	25,288,166	5,165,731

Note: The summary of the combined results of the Group for the year ended 31 March 2002 and of the assets and liabilities of the Group as at 31 March 2002 was extracted from the prospectus of the Company dated 31 October 2002. Such summary was prepared as if the current structure of the Group had been in existence throughout this financial year. The consolidated results of the Group for the years ended 31 March 2005 and 2006 and the consolidated assets and liabilities of the Group as at 31 March 2005 and 31 March 2006 are set out on pages 25 and 26 respectively, of the annual report.

■ FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 14 to the accounts.

■ SHARE CAPITAL AND SHARE OPTION SCHEME

Details of movements in the Company's issued share capital, together with the details of the Company's share option scheme, are set out in notes 21 and 22 to the accounts respectively.

■ PRE-EMPTIVE RIGHTS

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

■ PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

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

■ RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in the statement of changes in equity on page 28 of the annual report and in note 23 to the accounts.

■ DISTRIBUTABLE RESERVES

At 31 March 2006, the Company's reserve available for distribution, calculated in accordance with the laws of the Cayman Islands, amounted to HK\$20,966,889 (2005: HK\$21,072,023). This includes the Company's share premium account of HK\$14,946,270 (2005: HK\$14,946,270) and capital reserve account of HK\$6,509,462 (2005: HK\$6,509,462) in aggregate at 31 March 2006 which may be distributed provided that immediately following the date on which a dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

■ MAJOR CUSTOMERS AND SUPPLIERS

During the year, turnover made to the Group's five largest customers accounted for approximately 80% (2005: 78%) of the total turnover for the year. Turnover made to the largest customer included therein accounted for approximately 36% (2005: 35%) of the total turnover for the year.

During the year, purchases from the Group's five largest suppliers accounted for approximately 70% (2005: 60%) of the total purchases for the year. Purchases from the Group's largest supplier included therein accounted for approximately 39% (2005: 24%) of the total purchases for the year.

As far as the directors are aware, neither the directors of the Company, any of their associates nor any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interests in the Group's five largest customers or five largest suppliers during the year.

■ DIRECTORS

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

Executive directors:

Mr. Yeung Leung Kong	<i>(Chairman)</i>
Mr. Wong Kwong Kwok	<i>(Resigned on 8 March 2006)</i>

Non-executive director:

Mr. Ong Chor Wei	<i>(Appointed on 8 March 2006)</i>
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Independent non-executive directors:

Mr. Wong Ah Chik
Ms. Leung Wai Ling, Wylie
Mr. Liu Feng

In accordance with Article 87 of the Company's Articles of Association, Mr. Liu Feng will retire by rotation at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

In accordance with Article 86(3) of the Company's Articles of Association, Mr. Ong Chor Wei will hold office only until the forthcoming annual general meeting of the Company and, being eligible, offer himself for re-election.

The Company confirmed that it has received from each of its independent non-executive directors the annual confirmation for his/her independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and still considers them to be independent as at the date of this report.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 8 and 9 of the Company's annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Yeung Leung Kong, the executive director of the Company, entered into service contract with a subsidiary of the Company for an initial term of two years commencing from 1 November 2002 and will continue thereafter until terminated by either party by giving not less than 3 months' notice in writing to the other party.

Mr. Ong Chor Wei, a non-executive director of the Company, is appointed for a period of two years commencing from 8 March 2006.

The independent non-executive directors of the Company are not appointed for a fixed term of office, but are subject to the provisions governing the retirement and rotation of directors in the Articles of Association of the Company.

Save as aforesaid, none of the directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No director of the Company had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during or at the end of the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 March 2006, none of the directors and chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealings by directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the paragraph headed "Directors' and chief executives' interests in shares" above and the share option scheme disclosures in note 22 to the accounts, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate granted to any directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors, their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

On 26 October 2002, a share option scheme (the "Scheme") was approved by written resolutions of the then sole shareholder of the Company. The purpose of the Scheme is to recognise the contribution of selected persons to the growth of the Group. Up to the date of this report, no options have been granted to any persons under the Scheme.

Details of the Scheme are set out in note 22 to the accounts.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2006, the interests and short positions of persons, other than a director or chief executives of the Company, in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or substantial shareholders as recorded in the register of substantial shareholders required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Number of ordinary shares held	Approximate percentage of shareholding in the Company
Best Method Investments Limited (<i>Note 1</i>)	223,000,000	74.33%
Richance Limited (<i>Note 2</i>)	123,000,000	41.00%

- Notes:* 1. These shares are registered in the name of Best Method Investments Limited. Best Method Investments Limited is beneficially owned by Profound Wise International Limited, Accent On Investments Limited and Absolute Prime Investments Limited in the proportion of 40%, 30%, and 30% respectively. Profound Wise International Limited is owned by Mr. Wong Kwong Kwok, the ex-director of the Company, and Mr. Yeung Leung Kong, the executive director of the Company, in the proportion of 70% and 30% respectively. Accent On Investments Limited is 100% owned by Mr. Wong Kwong Kwok, the ex-director of the Company. Absolute Prime Investments Limited is 100% owned by Mr. Chan Chi Yin.
2. On 23 January 2006, 123,000,000 of 223,000,000 shares of the Company held by Best Method Investments Limited were pledged in favour of Richance Limited, a company incorporated in the British Virgin Islands and accordingly, Richance Limited had a security interest in these 123,000,000 shares.

Save as disclosed above, as at 31 March 2006, the directors or chief executives of the Company were not aware of any other person (other than the directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

■ COMPETITION AND CONFLICT OF INTERESTS

Up to the date of this report, none of the directors, the management shareholders or substantial shareholders of the Company or any of their respective associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) have engaged in any business that competes or may compete with the business of the Group, or have any other conflict of interests with the Group.

■ CORPORATE GOVERNANCE

Subject to the deviations as disclosed in Corporate Governance Report set out on pages 10 to 15 of the Company's annual report, the Company has complied with the Code on Corporate Governance Practice set out in Appendix 15 to the GEM Listing Rules during the year under review.

■ AUDIT COMMITTEE

The Company established an audit committee on 26 October 2002 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee comprises three members, Mr. Wong Ah Chik, Ms. Leung Wai Ling, Wylie and Mr. Liu Feng, all are independent non-executive directors of the Company. The audit committee held four meetings during the year. The Group's audited results for the year ended 31 March 2006 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

■ CONNECTED TRANSACTIONS

There were no significant connected party transactions entered into by the Group for the year ended 31 March 2006.

AUDITORS

Ernst & Young resigned as auditors of the Company on 4 May 2004. At the extraordinary general meeting of the Company held on 25 May 2004, Baker Tilly Hong Kong Limited were appointed as auditors of the Company to fill the casual vacancy.

The financial statements have been audited by Baker Tilly Hong Kong Limited who retire and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Yeung Leung Kong

Chairman

Hong Kong

22 June 2006



BAKER TILLY
HONG KONG LIMITED
Certified Public Accountants

正風會計師事務所有限公司

12th Floor, China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

AUDITORS' REPORT TO THE MEMBERS OF
MP LOGISTICS INTERNATIONAL HOLDINGS LIMITED
(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)

We have audited the financial statements on pages 25 to 50 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

■ RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

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

■ BASIS OF OPINION

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

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

■ OPINION

In our opinion the financial statements give a true and fair view of the state of the 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.

BAKER TILLY HONG KONG LIMITED

Certified Public Accountants

Hong Kong

22 June 2006

Chan Cheuk Chi

Practising Certificate number P01137

Consolidated Income Statement 25

For the year ended 31 March 2006

	Notes	2006 HK\$	2005 HK\$
TURNOVER	5	65,732,461	81,915,517
Cost of sales		(60,340,539)	(74,271,306)
Gross profit		5,391,922	7,644,211
Other revenue	5	137,285	110,216
Selling and distribution costs		(1,882,309)	(2,506,250)
Administrative expenses		(11,643,462)	(14,535,777)
LOSS FROM OPERATING ACTIVITIES	6	(7,996,564)	(9,287,600)
Finance costs	7	(131,623)	(413,021)
LOSS BEFORE INCOME TAX		(8,128,187)	(9,700,621)
Income tax	10	1,510,048	1,755,060
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS	11	(6,618,139)	(7,945,561)
DIVIDENDS	12	–	–
LOSS PER SHARE	13		
– Basic		HK(2.21) cents	HK(2.65) cents
– Diluted		N/A	N/A

The accompanying notes form an integral part of these accounts.

26 Consolidated Balance Sheet

As at 31 March 2006

	Notes	2006 HK\$	2005 HK\$
NON-CURRENT ASSETS			
Fixed assets	14	2,762,048	3,572,450
Deferred tax assets	18(a)	3,328,800	2,012,800
		6,090,848	5,585,250
CURRENT ASSETS			
Accounts receivable	16	6,841,637	11,314,484
Prepayments, deposits and other receivables		5,040,351	6,735,180
Time bank deposits	19	-	10,000,000
Cash and bank balances		1,454,646	514,119
		13,336,634	28,563,783
CURRENT LIABILITIES			
Accounts payable	17	2,098,361	3,984,135
Accrued expenses and other payables		4,409,060	882,794
Taxes payable		-	36,260
Bank overdrafts – secured	19	-	11,124,562
Current portion of finance lease payables	20	726,805	166,457
		7,234,226	16,194,208
NET CURRENT ASSETS			
		6,102,408	12,369,575
TOTAL ASSETS LESS CURRENT LIABILITIES			
		12,193,256	17,954,825
NON-CURRENT LIABILITIES			
Finance lease payables	20	1,003,618	-
Deferred tax liabilities	18(b)	263,952	411,000
		1,267,570	411,000
NET ASSETS			
		10,925,686	17,543,825
FINANCED BY			
Share capital	21	3,000,000	3,000,000
Reserves	23	7,925,686	14,543,825
TOTAL EQUITY			
		10,925,686	17,543,825

Yeung Leung Kong
Director

Ong Chor Wei
Director

The accompanying notes form an integral part of these accounts.

As at 31 March 2006

	Notes	2006 HK\$	2005 HK\$
NON-CURRENT ASSETS			
Investments in subsidiaries	15	6,554,062	6,554,062
Deferred tax assets	18(a)	103,200	81,000
		6,657,262	6,635,062
CURRENT ASSETS			
Prepayments, deposits and other receivables		75,000	75,000
Amounts due from subsidiaries	15	17,364,525	17,468,682
Cash and bank balances		2,534	3,770
		17,442,059	17,547,452
CURRENT LIABILITIES			
Accrued expenses and other payables		132,432	110,491
NET CURRENT ASSETS		17,309,627	17,436,961
NET ASSETS		23,966,889	24,072,023
FINANCED BY			
Share capital	21	3,000,000	3,000,000
Reserves	23	20,966,889	21,072,023
TOTAL EQUITY		23,966,889	24,072,023

Yeung Leung Kong
Director

Ong Chor Wei
Director

The accompanying notes form an integral part of these accounts.

28 Statement of Changes in Equity of the Group and the Company

For the year ended 31 March 2006

Group

	Share capital HK\$	Share premium HK\$	Capital reserve HK\$	Retained earnings/ (Accumulated losses) HK\$	Total HK\$
Balance at 1 April 2004	3,000,000	14,946,270	3,867,100	3,676,016	25,489,386
Net loss for the year	-	-	-	(7,945,561)	(7,945,561)
Balance at 31 March 2005	3,000,000	14,946,270	3,867,100	(4,269,545)	17,543,825
Net loss for the year	-	-	-	(6,618,139)	(6,618,139)
Balance at 31 March 2006	3,000,000	14,946,270	3,867,100	(10,887,684)	10,925,686

Company

	Share capital HK\$	Share premium HK\$	Capital reserve HK\$	Accumulated losses HK\$	Total HK\$
Balance at 1 April 2004	3,000,000	14,946,270	6,509,462	(240,185)	24,215,547
Net loss for the year	-	-	-	(143,524)	(143,524)
Balance at 31 March 2005	3,000,000	14,946,270	6,509,462	(383,709)	24,072,023
Net loss for the year	-	-	-	(105,134)	(105,134)
Balance at 31 March 2006	3,000,000	14,946,270	6,509,462	(488,843)	23,966,889

The accompanying notes form an integral part of these accounts.

Consolidated Cash Flow Statement 29

For the year ended 31 March 2006

	2006 HK\$	2005 HK\$
Loss before income tax	(8,081,187)	(9,700,621)
Adjustments for:		
Interest expenses	131,623	413,021
Interest income	(14,420)	(30,216)
Depreciation	1,238,623	1,092,974
Loss/(Gain) on disposals of fixed assets	545,082	(80,000)
Operating cash flows before movements in working capital	(6,180,279)	(8,304,842)
Decrease in accounts receivable	4,472,847	1,948,033
Decrease in prepayments, deposits and other receivables	1,694,829	857,610
(Decrease)/Increase in accounts payable	(1,885,774)	2,721,459
Increase in accrued expenses and other payables	3,526,266	379,501
Cash generated from/(used in) operating activities	1,627,889	(2,398,239)
Interest paid	(10,902)	(376,646)
Interest element of finance lease rental payments	(120,721)	(36,375)
Income tax (paid)/refunded	(36,260)	471,928
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	1,460,006	(2,339,332)
INVESTING ACTIVITIES		
Interest received	14,420	30,216
Proceeds from disposals of fixed assets	286,001	-
Purchases of fixed assets	(1,259,304)	(2,255,024)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(958,883)	(2,224,808)
FINANCING ACTIVITIES		
New finance leases	1,563,966	(743,561)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	1,563,966	(743,561)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2,065,089	(5,307,701)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	(610,443)	4,697,258
CASH AND CASH EQUIVALENTS AT END OF YEAR	1,454,646	(610,443)
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,454,646	514,119
Time bank deposits with original maturity of less than three months	-	10,000,000
Bank overdrafts	-	(11,124,562)
	1,454,646	(610,443)
NON-CASH INVESTING ACTIVITIES		
Trade-in of fixed assets	238,000	80,000

The accompanying notes form an integral part of these accounts.

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 12 June 2002 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681GT, George Town, Grand Cayman, Cayman Islands, British West Indies. The shares of the Company were listed on the Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 15 November 2002.

The principal activity of the Company is investment holding. The subsidiaries are principally engaged in the provision of logistics services. There were no significant changes in the nature of the Group's principal activities during the year.

In the opinion of the directors, the ultimate holding company of the Company is Best Method Investments Limited, a company incorporated in the British Virgin Islands.

2. BASIS OF PRESENTATION AND ADOPTION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS

The accounts have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which also include all Hong Kong Accounting Standards ("HKASs") (collectively referred to as the "New HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules")

The accounting policies and methods of computation used in the preparation of these accounts are consistent with those used in the annual accounts of the Group for the year ended 31 March 2005, except that the Group has changed certain of its presentation of the accounts following the adoption of the New HKFRSs which have become effective for accounting periods beginning on or after 1 January 2005, and which have not been early adopted by the Group for the preparation of the annual accounts of the Group for the year ended 31 March 2005.

The adoption of the New HKFRSs did not result in substantial changes to the accounting policies and their methods of computation used in the Group's accounts for the year ended 31 March 2006.

2. BASIS OF PRESENTATION AND ADOPTION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

At the date of this report, the following standards and interpretations were in issue but not yet effective:

HKAS 1 (Amendment)	(Note a)	Capital disclosures
HKAS 19 (Amendment)	(Note b)	Employee benefits – Actuarial gains and losses, group plans and disclosures
HKAS 21 (Amendment)	(Note b)	The effect of changes in foreign exchange rates – Net investment in a foreign operation
HKAS 39 (Amendment)	(Note b)	Cash flow hedges of forecast intragroup transactions
HKAS 39 (Amendment)	(Note b)	The fair value option
HKAS 39 and HKFRS 4 (Amendments)	(Note b)	Financial instruments: Recognition and measurement and insurance contracts – Financial guarantee contracts
HKFRS 6	(Note b)	Exploration for and evaluation of mineral resources
HKFRS 7	(Note a)	Financial instruments: Disclosures
HK(IFRIC) – Int 4	(Note b)	Determining whether an arrangement contains a lease
HK(IFRIC) – Int 5	(Note b)	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
HK(IFRIC) – Int 6	(Note c)	Liabilities arising from participating in a specific market – Waste electrical and electronic equipment
HK(IFRIC) – Int 7	(Note d)	Applying the restatement approach under HKAS 29 – Financial reporting in hyperinflationary economies

Note a: effective for annual periods beginning on or after 1 January 2007

Note b: effective for annual periods beginning on or after 1 January 2006

Note c: effective for annual periods beginning on or after 1 December 2005

Note d: effective for annual periods beginning on or after 1 March 2006

The Group has commenced considering the potential impact of the above new HKFRSs but is not yet in a position to determine whether these HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These HKFRSs may result in changes in the future as to how the results of operations and financial position are prepared and presented.

3. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 March. Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the members of the board of directors; or to cast majority of votes at the meeting of the board of directors.

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

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Translation of foreign currencies

Foreign currency transactions are translated at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the income statement.

(c) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable and represent amounts receivable for services provided in the normal course of business, net of discount and sales related taxes. Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (i) Revenue from the provision of logistics services is recognised when the services are rendered; and
- (ii) Interest income is recognised on a time proportion basis taking into account the effective yield on the asset.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Fixed assets and depreciation

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

Depreciation is calculated to write off the cost of each asset over its estimated useful life on the straight-line basis at the following annual rates:

Leasehold improvements	20% or over the lease terms, whichever is shorter
Furniture, fixtures and office equipment	20%
Motor vehicles	20%

The gain or loss on disposal or retirement of a fixed asset recognised in the income statement is the difference between the net sales proceeds and the carrying amount of the relevant asset.

(f) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(g) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

(i) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(j) Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past event that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Income tax

The charge for income tax is based on the results for the year as adjusted for items, which are non-assessable or disallowable. Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Income tax rates enacted or substantively enacted by the balance sheet date is used to determine deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiary companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(l) Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a finance nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

(m) Borrowing costs

All borrowing costs are charged to the income statement in the year in which they are incurred.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)**(n) Pension scheme*

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. The MPF Scheme has operated since 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed to the MPF Scheme except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

(o) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments are presented as the primary reporting format and geographical segments are presented as the secondary reporting format.

Segment assets consist primarily of fixed assets, trade and other receivables, tax refundable and operating bank balances and cash exclude corporate cash funds. Segment liabilities consist primarily of trade payables, taxes payable and accrued expenses and other payables. Capital expenditure comprises additions to fixed assets.

In respect of geographical segment reporting, sales are based on the region where the customer is located. Total assets and capital expenditure are based on where the assets are located.

4. SEGMENT INFORMATION

(a) Geographical segments

Segment information is presented in respect of the Group's geographical segments. In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location where the services are rendered, and assets are attributed to the segments based on the location of the assets.

As all the Group's services are rendered in Hong Kong, no further geographical analysis of revenue or results is presented.

An analysis of the Group's total assets and liabilities by geographical segment is as follows:

	Hong Kong		PRC (excluding Hong Kong)		Consolidated	
	2006 HK\$	2005 HK\$	2006 HK\$	2005 HK\$	2006 HK\$	2005 HK\$
Segment assets	8,168,822	15,285,815	10,968,210	17,676,423	19,137,032	32,962,238
Unallocated assets	-	-	-	-	290,450	1,186,795
Total assets					19,427,482	34,149,033
Segment liabilities	4,422,473	15,374,785	3,874,467	931,443	8,296,940	16,306,228
Unallocated liabilities	-	-	-	-	204,856	298,980
Total liabilities					8,501,796	16,605,208
Other segment information:						
Depreciation	1,148,099	779,177	90,524	313,797	1,238,623	1,092,974
Capital expenditure	1,497,304	560,752	-	2,089,122	1,497,304	2,649,874

(b) Business segments

No further information on the business segments of the Group is presented as the Group is solely engaged in the provision of logistics services.

5. TURNOVER AND OTHER REVENUE

Turnover represents the invoiced value of logistics services provided. All significant transactions amongst the companies comprising the Group have been eliminated on consolidation. An analysis of the Group's turnover and other revenue is as follows:

	2006 HK\$	2005 HK\$
Turnover		
Fees for logistics services provided	65,732,461	81,915,517
Other revenue		
Gain on disposals of fixed assets	-	80,000
Sundry income	4,298	-
Exchange gain	118,567	-
Interest income	14,420	30,216
	137,285	110,216
	65,869,746	82,025,733

6. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging/(crediting) the following:

	2006 HK\$	2005 HK\$
Cost of services provided	60,340,539	74,271,306
Auditors' remuneration	240,000	240,000
Bad debts written off	-	2,005,400
Depreciation		
Owned assets*	858,366	721,703
Assets held under finance leases*	380,257	371,271
Directors' remuneration	1,201,600	1,638,040
Staff costs (excluding directors' remuneration)		
Salaries and wages	2,675,160	2,574,889
Pension scheme contributions	117,894	111,714
Minimum lease payments under operating leases rental for land and buildings**	642,000	639,417
Exchange (gain)/losses, net	(118,567)	31,178
Interest income	(14,420)	(30,216)
Loss/(Gain) on disposals of fixed assets	545,082	(80,000)

6. LOSS FROM OPERATING ACTIVITIES *(Continued)*

* Included in the respective balances are the following amounts which are also included in cost of services provided disclosed above:

	2006 HK\$	2005 HK\$
Depreciation		
Owned assets	117,450	-
Assets held under finance leases	243,903	-

** Included in the balance for the year ended 31 March 2006 is HK\$222,000 (2005: HK\$219,417) in respect of rental expenses for a director's quarters. This balance has been included in the amount of directors' remuneration disclosed in note 8 to the accounts.

7. FINANCE COSTS

	Group 2006 HK\$	2005 HK\$
Interest on bank overdrafts repayable on demand	10,902	376,646
Interest on finance leases	120,721	36,375
	131,623	413,021

8. DIRECTORS' REMUNERATION

Details of directors' remuneration, disclosed pursuant to the Rules Governing the Listing of Securities on the GEM and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	2006				2005
Name of Directors	Fees HK\$	Basic salaries, allowances and bonus HK\$	Retirement benefit scheme contributions HK\$	Total emoluments HK\$	Total emoluments HK\$
Executive Directors					
Wong Kwong Kwok (Resigned on 8 March 2006)	-	738,000	10,800	748,800	959,536
Yeung Leung Kong	-	442,000	10,800	452,800	558,504
Independent Non-executive Directors					
Leung Wai Ling, Wylie	-	-	-	-	120,000
	-	1,180,000	21,600	1,201,600	1,638,040

8. DIRECTORS' REMUNERATION (Continued)

	Group	
	2006 HK\$	2005 HK\$
Fees of an independent non-executive director	-	120,000
Other emoluments of executive directors:		
Basic salaries, allowances and benefits in kind	1,180,000	1,494,040
Pension scheme contributions	21,600	24,000
	1,201,600	1,638,040

The emoluments of the directors of the Company fell within the following bands:

	Number of directors	
	2006	2005
Emolument bands		
Nil to HK\$1,000,000	2	3

Except for the above, no emolument has been paid to other directors of the Company for the year (2005: Nil).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year. In addition, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as a compensation for loss of office (2005: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2005: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2005: three) non-director, highest paid employees are as follows:

	Group	
	2006 HK\$	2005 HK\$
Basic salaries, allowances and benefits in kind	942,500	910,000
Pension scheme contributions	35,450	34,900
	977,950	944,900

The remuneration of each of the above three highest paid employees fell within the band HK\$Nil to HK\$1,000,000.

During the year, no emoluments were paid by the Group to any of the highest paid employees as an inducement to join or upon joining the Group, or as compensation for loss of office (2005: Nil).

There was no arrangement under which any of the five highest paid employees waived or agreed to waive any remuneration during the year (2005: Nil).

10. INCOME TAX

No provision for income tax has been made (2005: Nil) as the Group has an estimated loss for Hong Kong profits tax purposes in the current year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

(a) The amount of income tax in the consolidated income statement represents:

	Group	
	2006	2005
	HK\$	HK\$
The tax credit comprises:-		
Current year provision	-	-
Over provision in prior years	(47,000)	(260)
Deferred tax (Note 18(c))	(1,463,048)	(1,754,800)
Tax credit for the year	(1,510,048)	(1,755,060)

The provision for the year can be reconciled from income tax based on the loss on the consolidated income statement as follows:

	Group	
	2006	2005
	HK\$	HK\$
Loss before income tax	(8,128,187)	(9,700,621)
Tax at the domestic tax rate of 17.5% (2005: 17.5%)	(1,422,433)	(1,697,609)
Tax effect of non-deductible expenses	137,858	751
Tax effect of non-taxable revenue	(41,650)	(16,094)
Tax effect of unused tax losses not recognised	215	770
Tax effect on accelerated depreciation allowance	(136,021)	(587)
Recognition of deferred tax assets on prior years tax losses	-	(42,031)
Others	(1,017)	-
Over provision in prior years	(47,000)	(260)
Tax credit for the year	(1,510,048)	(1,755,060)

(b) Details of deferred tax of the Group are set out in note 18.

11. NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

Net loss attributable to shareholders for the year ended 31 March 2006 dealt with in the accounts of the Company was HK\$105,134 (2005: HK\$143,524).

12. DIVIDENDS

No dividends have been paid or declared by the Company during the year (2005: Nil).

13. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of HK\$6,618,139 (2005: HK\$7,945,561) and on the weighted average number of 300,000,000 (2005: 300,000,000) ordinary shares of the Company in issue during the year.

Diluted loss per share is not presented as there are no diluting events during the year.

14. FIXED ASSETS

Group

	Leasehold improvements HK\$	Furniture, fixtures and office equipment HK\$	Motor vehicles HK\$	Total HK\$
Cost:				
At 1 April 2004	233,316	700,865	3,060,644	3,994,825
Additions	400,376	912,985	1,336,513	2,649,874
Disposals	–	–	(512,000)	(512,000)
At 31 March 2005	633,692	1,613,850	3,885,157	6,132,699
Additions	–	49,280	1,448,024	1,497,304
Disposals	(633,692)	(560,694)	(1,423,752)	(2,618,138)
At 31 March 2006	–	1,102,436	3,909,429	5,011,865
Accumulated depreciation:				
At 1 April 2004	233,316	268,928	1,477,031	1,979,275
Charge for the year	116,776	243,333	732,865	1,092,974
Eliminated on disposals	–	–	(512,000)	(512,000)
At 31 March 2005	350,092	512,261	1,697,896	2,560,249
Charge for the year	166,823	297,541	774,259	1,238,623
Eliminated on disposals	(516,915)	(178,930)	(853,210)	(1,549,055)
At 31 March 2006	–	630,872	1,618,945	2,249,817
Net book value:				
At 31 March 2006	–	471,564	2,290,484	2,762,048
At 31 March 2005	283,600	1,101,589	2,187,261	3,572,450

14. FIXED ASSETS *(Continued)*

Included in the net book value of the Group's fixed assets as at 31 March 2006 are motor vehicles with a net book value of HK\$1,066,070 (2005: HK\$1,038,624) held under finance leases. Motor vehicles with a net book value of HK\$176,406 (2005: HK\$716,969) were held under the name of third party through trust deeds.

15. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	2006 HK\$	2005 HK\$
Unlisted shares, at cost	6,554,062	6,554,062
Amounts due from subsidiaries	17,364,525	17,468,682
	23,918,587	24,022,744

Amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. Details of subsidiaries are as follows:

Name	Place of incorporation and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Precious Logistics Limited ("PLL")	British Virgin Islands	US\$10,000 Ordinary	100	-	Investment holding
Marine Power Company Limited ("Marine Power")	Hong Kong	HK\$100,000 Ordinary	-	100	Provision of logistics services
June (China Hong Kong) Transportation Company Limited	Hong Kong	HK\$10,000 Ordinary	-	100	Provision of transportation services

16. ACCOUNTS RECEIVABLE

The Group's trading terms with its customers are on credit for which the credit period is generally up to 60 days (2005: 60 days), except for certain well-established customers having strong financial strength, good repayment history and creditworthiness, where the terms are extended beyond 60 days.

Ageing analysis of the Group's accounts receivable at the balance sheet date, based on invoice date, is as follows:

	Group	
	2006 HK\$	2005 HK\$
Within 90 days	5,420,848	7,014,263
Between 91 and 180 days	1,400,766	4,184,632
Between 181 and 365 days	20,023	115,589
	6,841,637	11,314,484

17. ACCOUNTS PAYABLE

Ageing analysis of the Group's accounts payable at the balance sheet date, based on invoice date, is as follows:

	Group	
	2006 HK\$	2005 HK\$
Within 90 days	2,098,088	3,107,935
Between 91 and 180 days	273	876,200
	2,098,361	3,984,135

18. DEFERRED TAX

(a) *Deferred tax assets*

	Company		Group	
	2006 HK\$	2005 HK\$	2006 HK\$	2005 HK\$
Balance at the beginning of the year	81,000	–	2,012,800	72,000
Credited to income statement (Note c)	22,200	81,000	1,316,000	1,940,800
Balance at the end of the year	103,200	81,000	3,328,800	2,012,800
Amounts to be recovered after more than one year	103,200	81,000	3,328,800	2,012,800

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31 March 2006, the Group has unrecognised tax losses of HK\$1,229 (2005: HK\$4,400) to carry forward against future taxable income.

(b) *Deferred tax liabilities*

	Group	
	2006 HK\$	2005 HK\$
Balance at the beginning of the year	411,000	225,000
Debited to income statement (Note c)	(147,048)	186,000
Balance at the end of the year	263,952	411,000
Amounts to be payable after more than one year	263,952	411,000

18. DEFERRED TAX *(Continued)*

(c) *Deferred tax credited to income statement is as follows:*

	Company		Group	
	2006 HK\$	2005 HK\$	2006 HK\$	2005 HK\$
Deferred tax assets (Note a)	(22,200)	(81,000)	(1,316,000)	(1,940,800)
Deferred tax liabilities (Note b)	-	-	(147,048)	186,000
Deferred tax credited to income statement (Note 10)	(22,200)	(81,000)	(1,463,048)	(1,754,800)

19. BANKING FACILITIES

At 31 March 2006, the Group does not have any banking facilities. At 31 March 2005, the Group had general banking facilities available of HK\$12,000,000. These facilities, provided to the subsidiary of the Company, were guaranteed by the Company and were secured under a condition such that deposits with the bank were maintained at not less than HK\$10,000,000.

20. FINANCE LEASE PAYABLES

During the year, the Group leased certain motor vehicles for its business operations. These leases are classified as finance leases and have remaining lease terms ranging between one and five years.

At 31 March 2006, the total future minimum lease payments under finance leases and their present values were as follows:

Group

	Minimum lease payments		Present value of minimum lease payments	
	2006 HK\$	2005 HK\$	2006 HK\$	2005 HK\$
Amounts payable:				
Within one year	841,104	168,368	726,805	166,457
In the second year	458,568	–	388,809	–
In the third to fifth year	672,594	–	614,809	–
Total minimum finance lease payments	1,972,266	168,368	1,730,423	166,457
Future finance charges	(241,843)	(1,911)		
Total net finance lease payables	1,730,423	166,457		
Portion classified as current liabilities	(726,805)	(166,457)		
Long term portion	1,003,618	–		

21. SHARE CAPITAL

	2006 HK\$'000	2005 HK\$'000
Authorised:		
10,000,000,000 ordinary shares of HK\$0.01 each	100,000	100,000
Issued and fully paid:		
300,000,000 ordinary shares of HK\$0.01 each	3,000	3,000

There have been no movements in share capital during the years ended 31 March 2005 and 31 March 2006.

22. SHARE OPTION SCHEME

Under the terms of the share option scheme (the "Scheme") adopted by the Company on 26 October 2002, the board of directors (the "Board") and a duly authorised committee (the "Committee") of the Company is authorised, at their absolute discretion, to invite any employees, directors, advisers, consultants, distributors, suppliers, agents, customers, business partners and service providers to or of any member of the Group, shareholders (including their directors and employees) of any member of the Group and such other persons whom the Board or the Committee considers to have contributed or will contribute to the Group to take up options to subscribe for shares of the Company. The purpose of the Scheme is to encourage its participants to contribute to the growth of the Group.

The Scheme became effective on 15 November 2002 and, unless otherwise cancelled or amended, remains in force for ten years from that date.

The maximum number of shares in respect of which options may be granted under the Scheme and any other share option scheme of the Company may not exceed 10% of the issued share capital of the Company, or may not exceed a maximum of 30% should the shareholders renew the 10% limit, from time to time which have been duly allotted and issued. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive, substantial shareholder or management shareholders of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors (excluding any independent non-executive directors who are the prospective grantees in question). In addition, any share options granted to a substantial shareholder or any independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

An option may be exercised in accordance with the terms of the Scheme at any time during the option period after the option has been granted by the Board. The option period, during which an option may be exercised, is determined by the Board or the Committee, but may not be later than ten years after the date of the grant of the option. According to the Scheme, there is no provision requiring a minimum holding period before an option may be exercised. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option under the Scheme.

The exercise price will be determined by the Board or the Committee, but may not be less than the higher of (i) the closing price of the shares on the GEM of the Stock Exchange on the date of the options granted; (ii) the average of the closing prices of the shares on the GEM of the Stock Exchange for the five trading days immediately preceding the date of the options granted; and (iii) the nominal value of the shares.

22. SHARE OPTION SCHEME *(Continued)*

No share options had been granted under the Scheme as at 31 March 2006 (2005: Nil) or up to the date of approval of these accounts. As at the date of approval of these accounts, 30,000,000 shares are available for issue under the Scheme, representing 10% of the issued share capital of the Company at that date.

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

23. RESERVES

Movements of reserves of the Group and Company are set out under the statement of changes in equity.

The capital reserve of the Group represents (i) the difference between the aggregate nominal value of the share capital of the subsidiaries acquired by the Company and the nominal value of the share capital of the Company issued as consideration in exchange thereof pursuant to the group reorganisation in October 2002; and (ii) the premium arising from the issue of shares by PLL in settlement of the loans from the former shareholders of a subsidiary.

The capital reserve of the Company represents the excess of the then consolidated net assets of the subsidiaries acquired pursuant to the group reorganisation in October 2002 over the nominal value of the Company's shares issued in exchange thereof. Under the Companies Law of the Cayman Islands, the capital reserve may be distributable to the shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

24. CONTINGENT LIABILITIES

On 13 April 2006, a customer filed a writ of summon against Marine Power, a wholly owned subsidiary of the Group as the second defendant, to recover the cargo of goods. According to the documentation filed to the court, the potential claim of failing to recover the cargo of goods will be approximately HK\$580,000. No provision has been made in the accounts as the case is still under negotiation with the lawyer for the plaintiff.

At the balance sheet date, other contingent liabilities not provided for in the accounts were as follows:

	Company	
	2006	2005
	HK\$	HK\$
Guarantee provided to a subsidiary company for its utilised banking facilities at the balance sheet date	-	11,060,268

25. OPERATING LEASE COMMITMENTS

The Group leases its office premises and a director's quarters under operating lease arrangements, with leases negotiated for terms ranging from one to two years.

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

	Group	
	2006	2005
	HK\$	HK\$
Within one year	552,480	642,000
In the second to fifth years, inclusive	317,083	43,105
	869,563	685,105

26. APPROVAL OF THE ACCOUNTS

The accounts were approved and authorised for issue by the board of directors on 22 June 2006.