Notes to the Financial Statements

31 March 2006

1. General Information

The Company is an exempted company incorporated in the Cayman Islands with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "SEHK"). The address of its registered office is the office of Caledonian Bank & Trust Limited, Caledonian House, George Town, Grand Cayman, Cayman Islands.

The Company is an investment holding company. The Group is principally engaged in cold storage warehousing and logistics management services.

These consolidated financial statements are presented in the thousands of Hong Kong dollars (HK$'000), unless otherwise stated.

2. Principal Accounting Policies

(a) Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which also include Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of leasehold buildings, freehold land and other financial assets at fair value through profit or loss which are carried at fair value.

The adoption of new/revised HKFRS

In the year, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Change in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employees Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowings Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provision, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS-Int 15	Operating Leases-Incentives
HKAS-Int 21	Income Taxes-Recovery of Revalued Non-Depreciated Assets
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

Notes to the Financial Statements

31 March 2006

2. Principal Accounting Policies *(Continued)*

(a) Basis of Preparation *(Continued)*

The adoption of new /revised HKFRS *(Continued)*

The adoption of new/revised HKASs 1, 7, 8, 10, 14, 16, 17, 18, 19, 21, 23, 24, 27, 32, 33, 36, 37, 38, 39 and HKAS-Ints 15, 21, HKFRS 2 and 3 did not result in substantial change to the accounting policies of the Group. In summary:

— HKASs 1, 8, 16, 21 affect certain disclosures of the financial statements.

— HKASs 7, 10, 14, 18, 19, 23, 27, 33, 37 and HKAS-Int 15 had no material effect on the policies of the Group.

— HKAS 24 affected the identification of related parties and some other related-party disclosures.

— HKFRS 3 and HKASs 36 and 38 had no impact on the Group's policies. There has been no goodwill brought forward arising from business combinations and no intangible assets.

In accordance with the provisions of HKAS 17, leasehold properties are split into a lease of land and a lease of building in proportion to the relative fair values of the interests in the land element and the building element of the lease at the inception of the lease. The lease premium for leasehold land is stated at cost and amortised over the period of the lease, There is no material effect on the Group's financial statement in prior years as there was no leasehold properties brought forward from the prior year and the leasehold land at 31 March 2006 was acquired during the year.

The adoption of revised HKAS-Int 21 has resulted in a change in the accounting policy relating to the deferred taxation of the Group's cold storage warehouse. In accordance with the provision of HKAS-Int 21, the deferred tax liabilities arising from the revaluation of cold storage warehouse is measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through sales. No recognition of deferred tax liabilities was made for the temporary difference arising from the revaluation surplus brought forward and at 31 March 2006 (other than HK$241,000 provided in the financial statements) as there are sufficient available tax losses carried forward to offset the liabilities.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. However, there has been no effect as the Group had no outstanding share options brought forward and during the year ended 31 March 2006.

The adoption of HKASs 32, 39 and 39 (Amendment) resulted in a change in the accounting policies relating to the classification of financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. It also resulted in the recognition of derivative financial instruments at fair value.

2. Principal Accounting Policies *(Continued)*

(a) Basis of Preparation *(Continued)*

The adoption of new /revised HKFRS *(Continued)*

Certain new standards, amendments and interpretations to existing standards which have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2006 or later periods but which the Group has not early adopted, are as follows:

— HKAS 19 (Amendment)
Actuarial Gains and Losses, Group Plans and Disclosures (effective from 1 January 2006)

— HKAS 39 (Amendment)
Cash Flow Hedge Accounting of Forecast Intragroup Transactions (effective from 1 January 2006)

— HKAS 39 (Amendment)
The Fair Value Option (effective from 1 January 2006)

— HKAS 39 and HKFRS 4 (Amendment)
Financial Guarantee Contracts (effective from 1 January 2006)

— HKFRS 7
Financial Instruments Disclosure and a complementary amendment to HKAS 1 Presentation of Financial Statements-Capital Disclosures (effective from 1 January 2007)

— HKFRS-Int 4
Determining whether an Arrangement contains a Lease (effective from 1 January 2006)

The Group has already commenced an assessment of the impact of these new standards, amendments and interpretations but is not yet in a position to quantify the impact of these new standards, amendments and interpretations on its results of operations and financial position.

Notes to the Financial Statements

31 March 2006

2. Principal Accounting Policies *(Continued)*

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 March 2006.

(i) Subsidiaries

Subsidiaries are all entities over which the Group had the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control was transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group during the year. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination were measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the share of the identifiable net assets acquired by the Group was recorded as goodwill. If the cost of acquisition was less than the fair value of the net assets of the subsidiary acquired, the difference was recognised directly in the income statement.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the balance sheet of the Company, 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 or receivable.

(c) Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2. Principal Accounting Policies *(Continued)*

(d) Foreign Currency Translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Change in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences are recognised in the income statement, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of the Group entities (one of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

Notes to the Financial Statements

31 March 2006

2. Principal Accounting Policies *(Continued)*

(d) Foreign Currency Translation *(Continued)*

(iii) ***Group companies*** *(Continued)*

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

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

(e) Property, Plant and Equipment

Properties comprise mainly cold storage warehouse and buildings. Properties are stated at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All property, plant and equipment are stated at historic cost less depreciation and impairment losses. Historic cost includes expenditure that is directly attributable to the acquisition of the item.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Increase in the carrying amount arising on revaluation of properties are credited to the asset revaluation reserve. Decreases that offset previous increase of the same asset are charged against asset revaluation reserve directly, all other decreases are expensed in the income statement.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost or revalued amounts less their residue values over their estimated useful lives. The principal annual rates used for this purpose are:

Buildings	5% — 11%
Furniture machinery and equipment	20%
Motor vehicles	20%

The freehold land is not subject to depreciation and is stated at valuation. The asset's residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset was greater than its estimated recoverable amount.

2. Principal Accounting Policies *(Continued)*

(f) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or associated company at the date of acquisition. Goodwill on acquisitions of associated companies is included in investments in associated companies. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(g) Impairment of assets

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

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

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

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

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

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

Notes to the Financial Statements

31 March 2006

2. Principal Accounting Policies *(Continued)*

(g) Impairment of assets *(Continued)*

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

— *(Continued)*

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

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

(ii) ***Impairment of other assets***

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

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

— pre-paid interests in leasehold land classified as being held under an operating lease;

— intangible assets;

— investments in subsidiaries, associates and joint ventures (except for those classified as held for sale (or included in a disposal group that is classified as held for sale) *(see note 2(b)(i))*; and

— goodwill.

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

— *Calculation of recoverable amount*

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

2. Principal Accounting Policies *(Continued)*

(g) Impairment of assets *(Continued)*

(ii) Impairment of other assets (Continued)

— *Recognition of impairment losses*

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

— *Reversals of impairment losses*

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

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

(h) Financial assets

The Group classified its financial assets in the following categories: other financial assets at fair value through profit or loss, loans and receivables, held-to maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determined the classification of its financial assets at initial recognition and re-evaluated this designation at every reporting date.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives were categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either for trading or are expected to be realized within 12 months of the balance sheet date.

Notes to the Financial Statements

31 March 2006

2. Principal Accounting Policies *(Continued)*

(h) Financial assets *(Continued)*

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables and other receivables as refined to *Note 2(i)*) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. At each balance sheet date subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed on initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

2. Principal Accounting Policies *(Continued)*

(h) Financial assets *(Continued)*

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designed in this category or not classified in any of the other categories. They are included in non-current assets unless the management intends to dispose of the investment with 12 months of the balance sheet date.

Regular purchases and sales of investments are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

The fair values of quoted investment are based on current bid prices. For unlisted securities are determined by using valuation technique. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing model refined to reflect the issuer's specific circumstances.

The Group reassesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case equity securities classified as available-for-sale financial assets, the cumulative loss-measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement-is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

Notes to the Financial Statements

31 March 2006

2. Principal Accounting Policies *(Continued)*

(i) 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.

(j) Cash and Cash Equivalents

Cash and cash equivalent include cash in hand, deposits held at call with banks and fixed deposits with maturity within 3 months or less.

(k) Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below:

(i) Financial liabilities at fair value through profit or loss

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

(ii) Other financial liabilities

Other financial liabilities including bank and other borrowings, trade payables and other payables are subsequently measured at amortised cost, using the effective interest rate method.

(iii) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Notes to the Financial Statements

31 March 2006

2. Principal Accounting Policies *(Continued)*

(l) Derecognition

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

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

(m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue of disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost, any differences between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

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

(n) Deferred Income Tax

Deferred income tax was 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 consolidated financial statements. However, the deferred income tax is not accounted for if it arose from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affected neither accounting nor taxable profit or loss. Deferred income tax was determined using tax rates that are enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset was realized or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit would be available against which the temporary differences could be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference would not reverse in the foreseeable future.

Notes to the Financial Statements

31 March 2006

2. Principal Accounting Policies *(Continued)*

(o) Employee Benefits

(i) Retirement benefit cost

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

(ii) Share-based payments

The Group has granted options under the new share option scheme. The fair value of the employee services in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement with a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the options are exercised.

(p) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small.

2. Principal Accounting Policies *(Continued)*

(q) Revenue Recognition

(i) Cold storage service income is recognised pro-rata over the life of the agreement and on an accrual basis.

(ii) Logistics management service income is recognised on the services rendered.

(iii) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(iv) Dividend income is recognised when the shareholders' rights to receive payment is established.

(r) Leases

(i) Operating leases

Leases in which a significant portion of the risks and rewards are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentive received from the lessor) are expenses in the income statement on a straight-line basis over the period of the lease.

(ii) Finance leases

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance lease. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payments is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is recognised in the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(s) Borrowing Costs

Borrowing costs are recognised in the income statement in which they are incurred.

(t) Related parties

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

Notes to the Financial Statements

31 March 2006

3. Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risks (including currency risk, fair value, interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

(a) Market risks

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

(ii) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of services are made to customers with an appropriate credit history.

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the available of funding through an adequate amount of committed credit facilities and the ability to close our market positions. Due to the dynamic nature of the underlying business, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

(iv) Cash flow and fair value interest rate risk

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

(b) Fair value estimation

The fair value of financial assets through profit or loss is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group used a variety of methods and made assumptions that are based on market conditions existing at each balance sheet date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. Critical Accounting Estimates and Judgements

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

(a) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charge for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovation. Management will change the depreciation charge where useful lives are different from the previously estimated lives. It will also write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that are initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. Turnover and Other Revenue

The Company is an investment holding company. The Group is engaged in the provision of cold storage warehousing and logistics management services.

	2006 ***HK$'000***	2005 *HK$'000*
Turnover		
Income from cold storage warehousing and logistics management	**4,129**	8,521
Other revenue		
Interest income	**128**	56
	4,257	8,577

Notes to the Financial Statements

31 March 2006

6. Other Income

Other income comprises:

	2006	2005
	HK$'000	*HK$'000*
Exchange gain, net	**—**	1,140
Gain on disposal of property, plant and equipment	**20**	—
Realized gain on disposal of financial assets	**785**	—
Loan waived by a former director	**1,310**	—
Others	**72**	117
	2,187	1,257

7. Loss from Operations

Loss from operations is stated after charging:

	2006	2005
	HK$'000	*HK$'000*
Auditors' remuneration		
— Current year	**330**	250
— Underprovision in previous years	**1**	—
Depreciation	**1,699**	1,702
Amortization of lease payments for land use right under operating lease	**81**	—
Exchange loss, net	**1,288**	—
Staff costs including retirement costs of HK$80,401 (2005: HK$56,816)	**4,395**	5,414
Loss on disposal of fixed assets	**—**	12

8. Finance Costs

	2006	2005
	HK$'000	*HK$'000*
Interest on bank and other borrowings wholly repayable within five years	**406**	476

9. Taxation

The credit comprisesd:

	2006 HK$'000	2005 HK$'000
Hong Kong Profits Tax	—	—
Over provision for overseas taxation in prior years	—	(185)
	—	(185)

The taxation for the year can be reconciled to the loss per the consolidation income statement as follows:

	2006 HK$'000	2005 HK$'000
Loss before taxation	(13,577)	(7,997)
Calculated at a taxation rate of 17.5% (2005: 17.5%)	(2,375)	(1,399)
Over-provision in prior years	—	(185)
Net effect of non-taxable/deductible items	1,538	172
Utilisation of tax losses	(70)	—
Net effect of tax losses and temporary differences not recognised	907	1,227
	—	(185)

No provision for Hong Kong Profits Tax and taxation in overseas countries, in which the Group operates, have been made in the financial statements as the Group did not have any assessable profits derived in the respective jurisdictions for both years.

Notes to the Financial Statements

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10. Directors' Remuneration

The remuneration of every director charged to the income statement for the year ended 31 March 2006 is set out below:

Name of directors	Fees	Salary	Discretionary bonuses	Other benefits	Employer's contribution to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors						
Fung Tsun Pong	**—**	**689**	**—**	**—**	**13**	**702**
Tsang Kam Ching, David	**—**	**71**	**—**	**—**	**4**	**75**
Zhao Ming	**—**	**—**	**—**	**—**	**—**	**—**
Chan Chun Hing, Kenneth	**—**	**—**	**—**	**—**	**—**	**—**
Independent non-executive director						
Liu Ka Lim	**120**	**—**	**—**	**—**	**—**	**120**
Yip Tak On	**120**	**—**	**—**	**—**	**—**	**120**
Jing Baoli	**—**	**—**	**—**	**—**	**—**	**—**
Wang Ji Cheng	**50**	**—**	**—**		**—**	**50**
	290	**760**	**—**	**—**	**17**	**1,067**

The remuneration of every director charged to the income statement for the year ended 31 March 2005 is set out below:

Name of directors	Fees	Salary	Discretionary bonuses	Other benefits	Employer's contribution to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors						
Fung Tsun Pong	—	—	—	—	—	—
Tsang Kam Ching, David	—	—	—	—	—	—
Chan Chun Hing, Kenneth	220	770	—	—	11	1,001
U Keng Tin	49	—	33	28	3	113
Zhao Ming	—	—	—	—	—	—
Independent non-executive directors						
Liu Ka Lim	—	—	—	—	—	—
Yip Tak On	—	—	—	—	—	—
Jing Baoli	—	—	—	—	—	—
Lee Kwan Hung, Eddie	120	—	—	—	—	120
Yau Sui Ki, Christie	117	—	—	—	—	117
Wang Ji Cheng	—	—	—	—	—	—
	506	770	33	28	14	1,351

11. Individuals with Highest Emoluments

During the year, the five highest paid individuals included one (2005: one) director, details of whose emoluments are set out above. The emoluments of the four (2005: four) individuals are as follows:

	2006	2005
	HK$'000	*HK$'000*
Salaries and other benefits	**2,078**	1,557
MPF Scheme contributions	**52**	83
	2,130	1,640

The emoluments of the employees are within the following band:

	Number of employees	
	2006	2005
Nil — HK$1,000,000	**4**	4

During the years ended 31 March 2006 and 2005, no emoluments were paid by the Group to the five individuals with the highest emoluments as an inducement to join or upon joining the Group or as compensation for loss of office.

12. Loss Attributable to Shareholders

The consolidated loss attributable to shareholders of the Company for the year ended 31 March 2006 amounted to approximately HK$11,517,000 (2005: Loss of HK$7,669,000) which has been dealt with in the financial statements of the Company.

13. Dividends

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

14. Loss Per Share

The calculation of the basic loss per share is based on the loss attributable to equity holders of the Company for the year of approximately HK$13,577,000 (2005: loss of HK$7,812,000) and on the weighted average number of 6,353,365,217 (2005: 5,047,226,422) shares in issue during the year.

There were no potential dilutive shares in existence for the years ended 31 March 2006 and 2005 and accordingly, no diluted loss per share amount has been presented for both years.

Notes to the Financial Statements

31 March 2006

15. Segment Information

(a) Business segment

No separate analysis of segment information by business is presented as the Group has only one business segment which is cold storage warehousing and logistics management services.

(b) Geographical segments

The following table presents revenue, results and certain assets and expenditure for the Group's geographical segments for the two years ended 31 March 2006 and 2005:

	Hong Kong & PRC		Australia		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
REVENUE						
External revenue	**—**	—	**4,129**	8,521	**4,129**	8,521
Other revenue	**117**	—	**11**	56	**128**	56
Total revenue	**117**	—	**4,140**	8,577	**4,257**	8,577
SEGMENT RESULTS	**(9,276)**	(7,533)	**(3,895)**	12	**(13,171)**	(7,521)
Other information:						
Segment assets	**42,382**	7,612	**25,168**	21,110	**67,550**	28,722
Capital expenditure	**3,585**	301	**1,180**	939	**4,765**	1,240

Notes to the Financial Statements

31 March 2006

16. Property, Plant and Equipment

Group

	Cold storage warehouse		Building		Furniture, machinery and equipment		Motor vehicles		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Cost or valuation										
At 1 April	**18,681**	18,409	**—**	1,620	**9,546**	8,726	**697**	686	**28,924**	29,441
Exchange adjustments	**(1,483)**	272	**—**	—	**(589)**	112	**(55)**	11	**(2,127)**	395
Additions	**—**	—	**3,460**	—	**1,305**	1,240	**—**	—	**4,765**	1,240
Surplus on revaluation	**5,702**	—	**730**	—	**—**	—	**—**	—	**6,432**	—
Disposals	**—**	—	**—**	(1,620)	**(1,145)**	(532)	**—**	—	**(1,145)**	(2,152)
At 31 March	**22,900**	18,681	**4,190**	—	**9,117**	9,546	**642**	697	**36,849**	28,924
Analysis of cost or valuation										
At cost	**—**	—	**—**	—	**9,117**	9,546	**642**	697	**9,759**	10,243
At valuation	**22,900**	18,681	**4,190**	—	**—**	—	**—**	—	**27,090**	18,681
	22,900	18,681	**4,190**	—	**9,117**	9,546	**642**	697	**36,849**	28,924
Depreciation and amortisation or impairment										
At 1 April	**1,517**	598	**—**	1,620	**7,359**	7,022	**547**	460	**9,423**	9,700
Exchange adjustments	**(157)**	41	**—**	—	**(498)**	108	**(47)**	9	**(702)**	158
Charge for the year	**875**	878	**—**	—	**746**	746	**78**	78	**1,699**	1,702
Written back on revaluation	**(2,235)**	—	**—**	—	**—**	—	**—**	—	**(2,235)**	—
Eliminated on disposals	**—**	—	**—**	(1,620)	**(647)**	(517)	**—**	—	**(647)**	(2,137)
At 31 March	**—**	1,517	**—**	—	**6,960**	7,359	**578**	547	**7,538**	9,423
Net book value										
At 31 March	**22,900**	17,164	**4,190**	—	**2,157**	2,187	**64**	150	**29,311**	19,501

Notes to the Financial Statements

31 March 2006

16. Property, Plant and Equipment

Company

	Furniture, machinery and equipment	
	2006	2005
	HK$'000	*HK$'000*
At 1 April		
Cost	**924**	—
Additions	**125**	924
At 31 March	**1,049**	924
Depreciation		
At 1 April	**185**	—
Charge for the year	**194**	185
At 31 March	**379**	185
Net book value		
At 31 March	**670**	739

The cold storage warehouse and building with carrying value of HK$22,900,000 (2005: HK$17,164,000) and HK$4,190,000 are hold under a freehold and medium term lease, respectively, outside Hong Kong.

The cold storage warehouse and building were revalued at 31 March 2006 on the basis of open market value by RHL Appraisal Limited, an independent firm of valuers. The revaluation surplus net of applicable deferred tax liability was credited to the asset revaluation reserve.

At 31 March 2006, cold storage warehouse and plant and equipment with an aggregate net book value of HK$24,075,000 (2005: HK$18,351,000) were pledged as security for bank loan facilities granted to the Group *(Note 32)*.

Notes to the Financial Statements

31 March 2006

17. Prepaid Lease Payments

The Group's prepaid lease payments represent land use rights in the PRC under medium term lease.

Leasehold land outside Hong Kong:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Long lease	**—**	—
Medium-term lease	**3,535**	—
Short lease	**—**	—
	3,535	—
At 1 April	**—**	—
Addition	**3,716**	—
Amortisation	**(81)**	—
At 31 March	**3,635**	—

18. Interests in Subsidiaries

	Company	
	2006	2005
	HK$'000	*HK$'000*
Unlisted shares, at cost	**10**	—
Amounts due from subsidiaries	**395,954**	387,740
	395,964	387,740
Less: Impairment losses recognised	**(386,863)**	(385,862)
	9,101	1,878

Particulars of the Company's subsidiaries as at 31 March 2006 are set out in Note 34 to the financial statements.

The amounts due from subsidiaries are unsecured, interest free and not repayable within the next twelve months from the balance sheet date.

None of the subsidiaries had any loan capital outstanding at the end of the year or at any time during the year.

Notes to the Financial Statements

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19. Financial Assets at Fair Value Through Profit or Loss

	Group and Company	
	2006	2005
	HK$'000	*HK$'000*
Trading securities		
— Listed equity securities in Hong Kong	**1,683**	—
Market value of listed securities	**1,683**	—

20. Trade and Other Receivables

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade receivables	**299**	906	**—**	—
Other receivables	**40**	190	**40**	150
Deposits paid	**504**	501	**493**	491
Prepayments	**112**	804	**45**	—
	955	2,401	**578**	641

The Group allows an average credit period of 60 days to its trade customers.

Details of the aged analysis of trade receivables of the Group and Company are as follows:

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
0 — 30 days	**40**	399	**—**	—
31 — 60 days	**259**	343	**—**	—
61 — 180 days	**—**	164	**—**	—
More than 180 days	**—**	—	**—**	—
	299	906	**—**	—

21. Short-Term Fixed Deposit

	Group and Company	
	2006	2005
	HK$'000	*HK$'000*
Short-term bank deposit	**15,000**	—

The effective interest rate of short-term fixed deposits is 3.82% per annum. The deposits have an average maturity of 32 days and are eligible for immediate cancellation without receiving any interest for the last deposit period.

22. Trade and Other Payables

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables	**—**	554	**—**	—
Other payables and accruals	**2,148**	2,573	**956**	567
	2,148	3,127	**956**	567

Details of the aged analysis of trade payables of the Group and Company are as follows:

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
0 — 30 days	**—**	166	**—**	—
31 — 60 days	**—**	49	**—**	—
61 — 90 days	**—**	—	**—**	—
More than 90 days	**—**	339	**—**	—
	—	554	**—**	—

23. Amounts due to Subsidiaries

The amounts due to subsidiaries are unsecured, interest free and have no fixed repayment terms.

Notes to the Financial Statements

31 March 2006

24. Bank Loan

	Group 2006 HK$'000	Group 2005 HK$'000
Bank loan — secured	**4,083**	5,038
The bank loan is repayable as follows:		
Within one year or on demand	**555**	603
More than one year, but not exceeding two years	**555**	603
More than two year, but not exceeding five years	**1,664**	1,808
Over five years	**1,309**	2,024
	4,083	5,038
Less: Amount due within one year or on demand and shown under current liabilities	**(555)**	(603)
Amount due after one year	**3,528**	4,435

25. Deferred Taxation

	Group 2006 HK$'000	Group 2005 HK$'000
At 1 April	**—**	—
Deferred taxation charged directly to reserves	**241**	—
At 31 March	**241**	—

The movement in deferred tax liabilities during the year was as follows:

	Group 2006 HK$'000	Group 2005 HK$'000
At 1 April	**—**	185
Revaluation of building	**241**	(185)
At 31 March	**241**	—

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group has available Hong Kong tax losses of HK$51,247,000 (2005 HK$50,437,000) to be carried forward for offset against future taxable income. The tax losses may be carried forward indefinitely.

As the balance sheet date, temporary differences associated with the revaluation on overseas properties of HK$15,661,000 for which deferred tax liabilities have not been recognised because there are sufficient tax losses carried forward to offset the liability in the tax jurisdiction in which the Group operates.

Notes to the Financial Statements

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26. Share Capital

	Note	**No. of shares**	*HK$'000*
Authorised:			
At 31 March 2006 and at 31 March 2005 ordinary shares of HK$0.01 each		**10,000,000,000**	100,000
Issued and fully paid:			
At 1 April 2004 ordinary shares of HK$0.01 each		**4,788,822,570**	47,888
Issue of new ordinary shares	*(a), (b)*	**1,457,764,514**	14,578
At 31 March 2005 ordinary share of HK$0.01 each		**6,246,587,084**	62,466
Issue of new ordinary shares	*(c)*	**355,706,583**	3,557
At 31 March 2006 ordinary share of HK$0.01 each		**6,602,293,667**	66,023

(a) On 23 December 2004, the holder of the convertible note in the principal amount of HK$5,000,000 exercised the options to convert the whole note into 500,000,000 ordinary shares of HK$0.01 each at par, which rank pari passu in all respects with the existing shares of the Company.

(b) On 3 January 2005, the holder of the Warrants of HK$3,000,000 exercised the attached rights to subscribe 300,000,000 ordinary shares of HK$0.01 each in the capital of the Company which were allotted and issued at par on the same date.

On 4 March 2005, the holder of the remaining Warrants of HK$6,577,645 exercised the attached rights to subscribe 657,764,514 ordinary shares of HK$0.01 each in the capital of the Company which were allotted and issued at par on the same date.

All these new shares rank pari passu in all respects with the existing shares of the Company.

(c) On 29 June 2005, 106,400,000 ordinary shares of HK$0.01 each were issued at HK$0.125 per share. The proceeds were intended to be used as additional working capital for the Group and investment in clean energy project.

On 3 November 2005, 53,994,083 ordinary shares of HK$0.01 each were issued at HK$0.13 per share as settlement of consideration for the acquisition of land and buildings in the PRC under a sale and purchase agreement dated 19 August 2005. Details of which were disclosed in the announcement of the Company dated 22 August 2005.

On 24 March 2006, 195,312,500 ordinary shares of HK$0.01 each were issued at HK$0.128 per share. The proceeds will be used for the acquisition of 51% equity interest in 河南阜源石油化工有限公司. Details of which were disclosed in the announcement of the Company dated 11 January 2006.

All these new ordinary shares rank pari passu in all respects with the existing shares of the Company.

Notes to the Financial Statements

31 March 2006

27. Share Option Scheme

The Share Option Scheme adopted on 30 September 1999 was terminated and replaced by a New Share Option Scheme on 16 July 2004. The New Share Option Scheme shall remain in force for 10 years from the adoption date unless otherwise terminated or amended.

The exercise price of the options shall be determined by the Directors of the Company, but may at least the highest of (i) the Sock Exchange closing price of the Company's shares on the date of the grant of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the grant of the share options; and (iii) the nominal value of an ordinary share. The maximum number of shares in respect of which options may be granted under the New Share Option Scheme shall not exceed 10% of the issued share capital of the Company from time to time.

No share options has been granted, exercised, cancelled or lapsed under the New Share Option Scheme during the year ended 31 March 2006 or outstanding as at 31 March 2006.

The option granted to the two directors and certain employees of the Group in June 2006 were set out in note 35(a) to the financial statements.

28. Retirement Benefit Schemes

With effect from 1 December 2000, the Group has also joined a MPF Scheme for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to MPF Scheme is to make the required contributions under the scheme.

The MPF Scheme is available to all employees aged 18 to 64 and with at least 60 days of service under the employment of the Group in Hong Kong. Contributions are made by the Group at 5% based on the staff's relevant income. The maximum relevant income for contribution purpose is HK$20,000 per month. Staff members are entitled to 100% of the Group's contributions together with accrued returns irrespective of their length of service with the Group, but the benefits are required by law to be preserved until the retirement age of 65.

29. Operating Lease Commitments

The Group leases its office and staff quarter under non-cancelled operating lease arrangements with remaining lease 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:

	2006	2005
	HK$'000	*HK$'000*
Within one year	**882**	1,570
In the second to fifth years, inclusive	**130**	882
	1,012	2,452

30. Capital Commitment

	2006	2005
	HK$'000	*HK$'000*
Contracted but not provided for	**26,500**	—

This represents capital commitment for the capital contribution for 51 % equity interest in the enlarged paid-up capital of the Henan Fu Yuan Petroleum and Chemical Engineering Company Limited (河南阜源石油化工有限公司) ("Fuyuan"), a private company incorporated in PRC, under the acquisition agreement signed on 7 January 2006. Further details are set out in the Company's circular dated 26 May 2006.

31. Contingent Liabilities

The Company has executed guarantee for banking facilities granted to one of its subsidiaries. The utilised amount of such facilities covered by the Company's guarantee which also represented the financial exposure of the Group as at 31 March 2006 amounted to approximately HK$5,300,000 (2005: HK$5,700,000). As at 31 March 2006, the borrowings outstanding against the facilities amounted to HK$4,000,000 (2005: HK$5,000,000).

32. Pledge of Assets

At 31 March 2006, cold storage warehouse and plant and equipment with an aggregate net book value of HK$24,075,000 (2005: HK$18,351,000) were pledged as security for bank loan facilities granted to the Group.

Notes to the Financial Statements

31 March 2006

33. Related Party and Connected Transactions

(i) Pursuant to an agreement dated 3 January 2006, Mr. Chan Chun Hing, Kenneth, the former director, waived an outstanding loan of HK$1,310,000 advanced to the Group under a loan agreement dated 30 June 2005, which has been credited to the income statement of the Group for the year ended 31 March 2006.

(ii) During the year, the Company paid HK$48,000 handling fees to Hooray Securities Limited, a company in which Mr Tsang Kam Ching, David is a common director.

(iii) Management fees paid to:

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Integrated Project Solutions Limited	**—**	120	**—**	—

During the last year, management fees of HK$120,000 were paid to Integration Project Solutions Limited, company in which the Company's former director, Mr. Chan Chun Hing, Kenneth was a common director and beneficial owner. The charge was determined and agreed mutually.

(iv) Key management compensation

Details of compensation for the key management of the Group are disclosed in notes 10 and 11 to the financial statements.

Notes to the Financial Statements

31 March 2006

34. Particulars of Subsidiaries

Particulars of the Company's subsidiaries as at 31 March 2006 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share	Percentage of issued share capital held by the Company*/ subsidiaries %	Percentage of issued share capital attributable to the Group %	Principal activities
Allied National Ltd.	British Virgin Islands/ Hong Kong	US$1 share	100*	100	Investment holding
Australian Service Cold Storage (N.S.W.) Pty Ltd.	Australia	A$2,500,002 shares	100	100	Dormant
iPowerB2B.com Limited	Hong Kong	HK$2 shares	100	100	Investment holding
iPower Holdings Limited	British Virgin Islands/ Hong Kong	US$45,000shares	100*	100	Investment holding
iPower Warehousing Management System Limited	British Virgin Islands/ Hong Kong	US$1 shares	100	100	Warehousing management system holding
Pentagon Profits Limited	British Virgin Islands/PRC	US$1 share	100*	100	Dormant
Seapower China Investments Limited	Hong Kong/PRC	HK$2 shares	100	100	Logistics management services
Seapower Developments (Indonesia) Limited	British Virgin Islands/ Indonesia	US$1 share	100*	100	Dormant
Seapower Resources Australia Pty Ltd.	Australia	A$7,00,002 shares	100	100	Investment holding
Seapower Resources Investments Pty Ltd.	Australia	A$2,000,002 shares	100	100	Investment holding
Seapower Resources Gosford Pty Ltd.	Australia	A$4,200,002 shares	100	100	Cold storage warehousing
Seapower Secretaries Limited	Hong Kong	HK$100 shares	100*	100	Provision secretarial services
Topcrown Investments Limited	Hong Kong	HK$10,000 shares	100*	100	Management services
Triumph Kind Investment Limited	Hong Kong	HK$1 share	100	100	Investment in property
Wide Forest Limited	Hong Kong	HK$1 share	100	100	Investment holding
Seapower Investment (China) Limited	Hong Kong	HK$10,000 shares	100	100	Investment holding

Notes to the Financial Statements

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35. Post Balance Sheet Events

(a) On 10 April 2006, Wild Forest Limited, a wholly-owned subsidiary of the Company, entered into an acquisition agreement with, among others, an independent third party, Mr. Danny Chan, to acquire 51% equity interest in Jaling Forest Industries Inc, at a consideration of HK$154 million ("Acquisition Agreement"). On 10 April 2006, the Company entered into a service agreement with Mr. Danny Chan to retain Mr. Danny Chan as managing director of Jaling Forest Industries Inc. at the monthly salary of US$12,000 per month commencing from the completion of the Acquisition Agreement. Details of which are set out in the Company's announcement dated 20 April 2006.

(b) On 16 May 2006, the Company and Total Gain Investment Limited ("Total Gain") entered into a Subscription Agreement under which the Company agreed to issue and allot 60,156,250 new shares at HK$0.128 per shares as a full settlement of the consultancy fee regarding service rendered inconnection with investment project as mentioned in note 35(a) above.

(c) On 16 May 2006, the Company and an independent third party, Mr. Danny Chan ("the Grantor"), entered into an option agreement, pursuant to which, the Company has been granted an option, exercisable by the Company at anytime during a period of five years from the completion of the Acquisition Agreement, to purchase from the Grantor 2,550 ordinary shares of Garner Forest Industries Inc ("Garner"), representing 51% of the issued share capital of Garner, at a total consideration of HK$60,000,000. The consideration payable by the Company for the grant of option under the option agreement is HK$1.00. Details of which are set out in the Company's announcement dated 17 May 2006.

(d) On 14 July 2006, the Company entered into a subscription agreement to issue a total of 960,000,000 unlisted warrants for an aggregate cash consideration of HK$4 million. Each warrant will carry the right to subscribe for one share at the initial subscription price of HK$0.09 per subscription share with exercise period of 3 years from the date of issue.

(e) Subsequent to the balance sheet date and on 9 June 2006, the Company granted share options to the directors and employees of the Group to subscribe for share of the Company as follows:

	No. of shares
Mr. Fung Tsum Pong	6,662,449
Mr. Tsang Dam Ching, David	66,624,499
Two employees	55,000,000
	128,286,948

The subscription price for the shares of the Company shall be HK$0.078 per share (subject to adjustment) and the option will expire on 8 June 2009. The option shall vest and become exercisable to the extent as provided by the Share Option Scheme of the Company and the operational rules made thereunder as effective from time to time.

36. Comparative Figures

With a review of financial statements' presentation, certain items in the financial statements were reclassified which would result in a more appropriate presentation of events or transactions. Accordingly, comparative figures have been reclassified to conform with the current year's presentation.