1. GENERAL

The Company is a public listed company incorporated in Bermuda with limited liability. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report. The Company's ultimate holding company is Chevalier International Holdings Limited ("CIHL"), a limited liability company incorporated in Bermuda. Both CIHL's and the Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding while the activities of its principal subsidiaries are set out on pages 71 and 72.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and/or prior accounting years are prepared and presented:

Business combinations

The Group has applied HKFRS 3 "Business Combinations" to business combinations for which the agreement date is on or after 1st January, 2005 and the relevant transitional provision in HKFRS for business combinations occurred to 1st January, 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill and discount on acquisition

Discount on acquisition (previously known as negative goodwill) and goodwill arising on acquisitions prior to 1st April, 2001 was held in reserves. In accordance with the relevant transitional provisions in HKFRS 3, the Group derecognised all negative goodwill on acquisition amounting to HK$198,000 and goodwill amounting to HK$27,000 on 1st April, 2005, previously recorded in the capital reserve, and transferred them to the Group's retained profits on 1st April, 2005.

As a result of the application of HKFRS 3, the capital reserve as at 1st April, 2005 has been decreased by HK$171,000 while the retained profits as at 1st April, 2005 have been increased by the same amount.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES – continued

Investment properties

In the current year, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the year in which they arise. In previous years, investment properties under predecessor accounting standard were measured at open market value, with revaluation surplus or deficits credited or charged to the investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied HKAS 40 retrospectively. The application of HKAS 40 has had no material effects on the results for the prior accounting periods. Accordingly, no prior year adjustment has been required. The financial impact for the current year is set out in note 3.

Owner-occupied leasehold interest in land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the revaluation model. In the current year, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively and the financial impact is set out in note 3.

Properties held for own use

In previous years, properties held for own use were stated at their revalued amount, being the fair value on the basis of their existing use at the date of revaluation, less any subsequent accumulated depreciation and any subsequent impairment losses. Revaluations were performed with sufficient regularity such that the carrying amount did not differ materially from that would be determined using fair values at the balance sheet date. Any revaluation increase arising on revaluation of such properties was credited to the revaluation reserve, except to the extent that it reversed a revaluation decrease of the same asset previously recognised as an expense, in which case the increase was credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on the revaluation of a property was dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that property.

Because the revaluation increase or decrease recognised in prior years were mainly attributable to leasehold land, the management considered it is more appropriate to use the cost model to account for the building after separation of the leasehold land upon the adoption of HKAS 17 as discussed above. Accordingly, the buildings are carried at their cost less any accumulated depreciation and any impairment losses after recognition. This change in accounting policy has been applied retrospectively and the financial impact is set out in note 3.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES – *continued*

Deferred taxes related to investment properties

In previous years, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current year, the Group has applied HK(SIC) Interpretation 21 "Income Taxes – Recovery of Revalued Non-Depreciable Assets" which removes the presumption that the carrying amount of investment properties is to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the value of the property at each balance sheet date. In the absence of any specific transitional provisions in HK(SIC) Interpretation 21, this change in accounting policy has been applied retrospectively. However, the application of HK(SIC) Interpretation 21 has had no material effects on the results for the current or prior accounting periods. Accordingly, no prior year adjustment has been required.

Financial instruments

In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact on how financial instruments of the Group are presented for current and prior accounting periods. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Investments in debt and equity securities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31st March, 2005, the Group classified and measured its investments in debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 ("SSAP 24"). Under SSAP 24, the Group's investments in debt or equity securities were classified as "investment securities" or "other investments" as appropriate. Investment securities were carried at cost less impairment losses while other investments were measured at fair value with unrealised gains or losses included in profit or loss for the period in which gains or losses arose. From 1st April, 2005 onwards, the Group has classified and measured its investments in debt and equity securities as "investments at fair value through profit or loss" or "available-for-sale investments" in accordance with HKAS 39. Under HKAS 39, "investments at fair value through profit or loss" and "available-for-sale investments" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. Available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured are measured at cost less impairment loss after initial recognition.

On 1st April, 2005, the Group classified and measured its investments in debt and equity securities in accordance with the transitional provisions of HKAS 39. As a result, the investments held for trading amounting to HK$110,815,000 were reclassified as financial assets at fair value through profit or loss and investment in unlisted equity securities amounted to HK$4,400,000 were reclassified to available-for-sale investments at 1st April, 2005 as disclosed in note 3.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets and financial liabilities other than debt and equity securities

From 1st April, 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities which were previously outside the scope of SSAP 24 in accordance with the requirements of HKAS 39. Financial assets of the Group under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets" or "loans and receivables". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". The Group's financial liabilities comprise "other financial liabilities" which are carried at amortised cost using the effective interest method after initial recognition. The Group has applied the relevant transitional provision in HKAS 39. However, there has been no material effect on how the results for the current accounting period are prepared and presented.

Derivatives

By 31st March, 2005, the derivative financial instruments had not been recognised on the balance sheet. From 1st April, 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives including embedded derivatives which should be separately accounted for from the non-derivative host contracts are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. Fair values of derivatives deemed as held for trading are recognised in profit or loss for the period in which they arise.

The Group has not recognised the derivative financial instruments on the balance sheet prior to 31st March, 2005. The Group has applied the relevant transitional provisions in HKAS 39. On 1st April, 2005, the Group recognised the fair value of the derivative financial instrument, foreign currency forward contract deemed as held-for-trading financial assets, amounting to HK$2,914,000, on the balance sheet and a corresponding adjustment to the Group's retained earnings. The financial impact on application of the standard has decreased the profit for the current year by HK$2,882,000.

New accounting standards not yet applied

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The Group is in the process of making an assessment of the potential impact of these standards, amendments and interpretations. Other than the adoption of HKAS 39 and HKFRS 4 (Amendments) "Financial guarantee contracts", the Directors of the Company so far concluded that the application of these new standards, amendments or interpretations will have no material impact on the financial statements of the Group. HKAS 39 and HKFRS 4 (Amendments) "Financial guarantee contracts" require financial guarantee contracts which are within the scope of HKAS 39 to be measured at fair value upon initial recognition. The Group is still not in the position to reasonably estimate the impact that may arise from HKAS 39 and HKFRS 4 (Amendments).

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES – continued

New accounting standards not yet applied – continued

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market-waste electrical and electronic equipment[3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 financial reporting in hyperinflationary economies[4]
HK(IFRIC) – INT 8	Scope of HKFRS 2[5]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives[6]

1 Effective for annual periods beginning on or after 1st January, 2007.
2 Effective for annual periods beginning on or after 1st January, 2006.
3 Effective for annual periods beginning on or after 1st December, 2005.
4 Effective for annual periods beginning on or after 1st March, 2006.
5 Effective for annual periods beginning on or after 1st May, 2006.
6 Effective for annual periods beginning on or after 1st June, 2006.

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described in note 2 on the results for the current and prior years (included in other expenses) are as follows:

	2006	2005
	HK$'000	*HK$'000*
Non-amortisation of goodwill	**3,391**	–
Decrease in depreciation arising from adoption of cost model of owner-occupied buildings	**94**	82
Decrease in valuation of properties for own use arising from adoption of cost model of owner-occupied buildings	**–**	(2,293)
Decrease in fair value of derivative financial instruments	**(2,882)**	–
Decrease in fair value of investments at fair value through profit or loss	**(4,730)**	–
Gains arising from changes in fair value of investment properties	**190**	–
Decrease in profit for the year	**(3,937)**	(2,211)

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES – continued

The cumulative effects of the application of the new HKFRSs on 31st March, 2005 and 1st April, 2005 are summarised below:

	As at 31st March, 2005 (originally stated)	Retrospective adjustments		As at 31st March, 2005 (Restated)	Prospective adjustments		As at 1st April, 2005 (Restated)
		HKAS 1	HKAS 16 and HKAS 17		HKFRS 3	HKAS 39	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance sheet items							
Property, plant and equipment	31,405	–	(6,887)	24,518	–	–	24,518
Prepaid lease payments	–	–	4,115	4,115	–	–	4,115
Investments in securities	115,255	–	–	115,255	–	(115,255)	–
Available-for-sale investments	–	–	–	–	–	4,440	4,440
Derivative financial instruments	–	–	–	–	–	2,914	2,914
Investments at fair value through profit or loss	–	–	–	–	–	110,815	110,815
Total effects on assets and liabilities	146,660	–	(2,772)	143,888	–	2,914	146,802
Retained profits	49,338	–	9	49,347	171	2,914	52,432
Capital reserve	18,231	–	–	18,231	(171)	–	18,060
Exchange fluctuation reserve	989	–	668	1,657	–	–	1,657
Properties revaluation reserve	3,449	–	(3,449)	–	–	–	–
Minority interests	–	175	–	175	–	–	175
Total effects on equity	72,007	175	(2,772)	69,410	–	2,914	72,324
Minority interests	175	(175)	–	–	–	–	–

The financial effects of the application of the new HKFRSs to the Group's equity on 1st April, 2004 are summarised below:

	As originally stated	Adjustments		As restated
		HKAS 1	HKAS 17	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Retained profits	52,429	–	2,220	54,649
Exchange fluctuation reserve	1,036	–	668	1,704
Properties revaluation reserve	2,764	–	(2,764)	–
Minority interests	–	174	–	174
Total effects on equity	56,229	174	124	56,527

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost convention except for investment properties and financial instruments, which are measured at revalued amounts or fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rule Governing the Listing of Securities on the The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

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.

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

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(b) Goodwill

Goodwill arising on an acquisition of a subsidiary or an associate for which the agreement date is on or after 1st January, 2005, representing the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary or associate at the date of acquisition, is carried at cost less any accumulated impairment losses and is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating unit ("CGU"), or groups of CGUs, that are expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary or an associate, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

(c) Interests in associates

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

(d) Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

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.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

(i) Financial assets

Investments at fair value through profit or loss

Financial assets at fair value through profit or loss has two sub-categories, including financial assets 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 assets 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.

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 debtors, amounts due from ultimate holding company and amount due from customers for contract work are carried at amortised cost using the effective interest rate 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.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

(d) Financial instruments – continued

(i) Financial assets – continued

Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated or not classified as investments at fair value through profit or loss, loans and receivables and held to maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse through profit or loss in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(ii) Financial liabilities

Other than derivatives which are deemed as financial liabilities held for trading, *the* Group's financial liabilities mainly include creditors, bills payable and bank borrowings are subsequently measured at amortised cost, using the effective interest rate method.

(iii) Equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES – continued

(d) Financial instruments – continued

(iv) Derivative financial instruments

The Group uses derivative financial instruments (primarily foreign currency forward contracts) to reduce its risks associated with foreign currency fluctuations. Derivative financial instruments which do not qualify for hedge accounting are deemed as financial assets held for trading or financial liabilities held for trading. Changes in fair values of such derivatives are recognised directly in profit or loss.

Derivatives embedded in non-derivative host contracts are separated from the relevant host contracts and deemed as held-for-trading when the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contracts, and the combined contracts are not measured at fair value through profit or loss. In all other circumstances, derivatives embedded are not separated and are accounted for together with the host contracts in accordance with appropriate standards. Where the Group needs to separate an embedded derivative but is unable to measure the embedded derivative, the entire combined contracts are treated as held-for-trading.

(e) Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method or reducing balance method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

(f) Property, plant and equipment – continued

The property, plant and equipment are depreciated on the following methods, after taking into account their estimated residual value at the following rates per annum:

Straight-line method:

Freehold land	Nil
Buildings	Over the shorter of the term of the lease, or 20-50 years
Store machine	20%
Store and other equipment	Over the shorter of the term of the lease, or 10%

Reducing balance method:

	Initial charge upon purchase	Annual charge
Machinery, tools and equipment	20%	40%
Furniture, fixtures, office equipment and motor vehicles	20%	20%

(g) Prepaid lease payments

Prepaid lease payments represent upfront premium paid for use of land. Prepaid lease payment is charged to income statement over the term of relevant land leases on a straight-line basis.

(h) Trademarks

On recognition, trademarks acquired from business combinations are recognised at fair value. Trademarks with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Gains or losses arising from derecognition of trademarks are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Trademarks with indefinite useful lives are tested for impairment by comparing the carrying amount of the trademarks with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of a trademark is estimated to be less than its carrying amount, the carrying amount of the trademark is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the trademark is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

(i) Properties for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost comprises the cost of acquisition of properties and other direct costs. Net realisable value is estimated by management based on prevailing market conditions or when a binding sales agreement is executed, by reference to the agreed selling prices.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

(k) Installation contracts

Where the outcome of an installation contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of an installation contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as "amounts due from customers for contract work". For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as "amounts due to customers for contract work". Amounts received before the related work is performed are included in the balance sheet, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the balance sheet under "debtors, deposits and prepayments".

(l) Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Service income is recognised when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Income from sale of properties is recognised on the execution of a binding sales agreement.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

(m) Operating lease

Leases where substantially all the risks and rewards of ownership of the assets remain with the lessors are accounted for as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

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

(n) Borrowing costs

All borrowing costs are recognised as finance costs and included in profit or loss in period in which they are incurred.

(o) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in the foreign currencies other than the functional currency of that entity are recorded in its functional currency at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financials statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which case, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Hong Kong dollars, the presentation currency of the Company at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in the translation reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

(p) Retirement benefits costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are charged as expenses as they fall due.

(q) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group as a parent is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(r) Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets which have an indefinite life to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset except for goodwill is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately. Impairment loss for goodwill is not reversed in subsequent period. The accounting policies for impairment of goodwill and trademark are set out in details in their respective policies.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Allowances for bad and doubtful debts

The policy for allowance of bad and doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Allowances for inventories

The management of the Group makes allowance for obsolete and slow-moving inventory items that are identified as no longer salable. The management estimates the net realisable value of its trading merchandise based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at each balance sheet date and makes allowance for obsolete items.

Impairment of goodwill and trademark

In determining whether goodwill and trademark are impaired, an estimation of the value-in-use of the cash-generating units to which goodwill and trademark have been allocated is required. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit with a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. No impairment loss has been identified for the goodwill and trademark with carrying amounts HK$82,392,000 and HK$108,000,000 respectively as at 31st March, 2006.

Details of the impairment testing on goodwill and trademark are set out in note 37.

Income tax

No deferred tax asset has been recognised in respect of tax losses of HK$478,703,000 due to the unpredictability future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more or less than expected, additional recognition or reversal of deferred tax assets may arise, which would be recognised in the income statement for the period in which it takes place.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial assets and liabilities include trade and other debtors, amount due from ultimate holding company, bank balances and cash, trade and other creditors, bills payable, bank borrowings and investments. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. The management of the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In addition, the management of the Group is responsible to determine credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk in respect of its trade debtors, with exposure spread over a number of counterparties and customers.

The credit risk on bank deposits and investment in financial instruments is limited because the counterparties are banks, financial institutions or corporations with high credit ratings assigned by international credit-rating agencies.

Market risk

(i) *Foreign currency risk*

Certain trade payables of the Group are denominated in foreign currencies. In order to reduce the risks associated with foreign currency fluctuations, the Group has entered into foreign currency forward contracts against its exposures to changes of foreign exchange rate. However, as these foreign currency forward contracts do not qualify for hedging accounting, they are deemed as financial assets or liabilities held for trading. The management will continue to monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(ii) *Interest rate risk*

The Group's cash flow interest rate risk mainly relates to floating-rate bank borrowings, investments in debt securities at floating rates and structured deposits linked with constant maturity swap rate or LIBOR. The management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

(iii) *Other price risk*

The Group is exposed to equity and debt security price risk through its investments in equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

Liquidity risk

The Group aims to maintain prudent liquidity risk management and flexibility in funding by keeping sufficient cash and cash equivalent, readily realisable marketable securities and to have committed short-term and medium-term credit lines available.

The Directors believe that the Group has obtained sufficient committed and uncommitted general credit facilities from banks for financing capital commitments in the near future and for working capital purposes.

7. TURNOVER

Turnover represents the net amount received and receivable for goods sold, provision of services and investment income during the year and is analysed as follows:

	2006	2005
	HK$'000	*HK$'000*
Sale of computer and business and coffee machines	**477,493**	474,243
Sale of food and beverage	**173,208**	–
Provision of maintenance services	**77,779**	100,617
Trading of securities	**94,311**	101,988
Interest income from debt securities and structured deposits	**8,954**	10,260
	831,745	687,108

An analysis of the Group's turnover by business and geographical segments is set out in note 35.

8. OTHER INCOME

	2006	2005
	HK$'000	*HK$'000*
Included in other income are:		
Interest from bank deposits	**1,653**	269
Exchange gain	**2,754**	971
Profit on disposal of properties for sale	**4,392**	–
Gross rental income from properties of HK$715,000 (2005: HK$383,000) less outgoings	**418**	275

9. FINANCE COSTS

The amount represents interest on bank loans repayable within 5 years.

10. PROFIT BEFORE TAXATION

	2006 *HK$'000*	2005 *HK$'000* (Restated)
Profit before taxation has been arrived at after charging (crediting):		
Allowance of amount due from an associate	**1,745**	–
(Written back) allowance for bad and doubtful debts	**(1,736)**	955
Amortisation of prepaid lease payments	**251**	253
Auditors' remuneration	**1,086**	830
Change in fair value of derivative financial instruments	**2,882**	–
Realised and unrealised fair value loss of investments at fair value through profit or loss	**729**	8,271
Depreciation on property, plant and equipment	**15,801**	4,346
(Gain) loss on disposal of property, plant and equipment	**(351)**	450
Impairment loss recognised in respect of available-for-sale investments	**2,466**	–
Increase in fair value of investment properties	**190**	–
Operating lease payments in respect of leasing of premises	**46,885**	8,457
Reversal of impairment loss on prepaid lease payments transferred to investment properties	**(107)**	–
Staff costs *(note)*	**112,221**	78,763
Write-down of inventories	**1,000**	518
Gross earnings from leasing of assets other than properties of HK$5,114,000 (2005: HK$4,795,000) less outgoings	**(1,659)**	(4,358)

Note: Details of directors' emoluments included in staff costs are disclosed in note 36. Redundancy payments of HK$6,000 (2005: HK$729,000) are included in staff costs.

11. INCOME TAX EXPENSES

	2006 *HK$'000*	2005 *HK$'000*
The charge (credit) comprises:		
Current tax		
Hong Kong	**3,263**	228
Overseas	**318**	410
	3,581	638
Deferred taxation *(note 33)*	**281**	(299)
	3,862	339

Provision for Hong Kong profits tax is calculated at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits less available tax relief for losses brought forward.

11. INCOME TAX EXPENSES – continued

Provision for overseas taxation is calculated based on the rates applicable to the relevant local legislation on the estimated assessable profits.

The tax charge for the year can be reconciled from the profit before taxation per the consolidated income statement as follows:

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Profit before taxation	**40,828**	1,892
Tax at the domestic income tax rate of 17.5% *(note)*	**7,145**	331
Tax effect of share of result of an associate	**–**	145
Tax effect of non-deductible expenses for tax purposes	**4,149**	1,935
Tax effect of non-taxable income for tax purposes	**(2,962)**	(2,208)
Tax effect of tax losses not recognised	**1,053**	2,368
Tax effect of utilisation of tax losses previously not recognised	**(4,886)**	(1,468)
Tax effect on utilisation of temporary differences not recognised	**(906)**	(909)
Tax effect of deductible temporary differences not recognised	**471**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(115)**	139
Others	**(87)**	6
Tax charge for the year	**3,862**	339

Note: The domestic income tax rate in the jurisdiction where the operation of the Group is substantially based.

12. DIVIDENDS

	2006	2005
	HK$'000	*HK$'000*
Dividend paid:		
– Interim dividend of HK$0.03 (2005: HK$0.01) per ordinary share	**5,141**	1,714
Dividend proposed:		
– Proposed final dividend of HK$0.05 (2005: HK$0.01) per ordinary share	**8,568**	1,713

A final dividend of HK$0.05 (2005: HK$0.01) per share has been proposed by the Directors and is subject to the approval by the shareholders in general meeting.

13. EARNINGS PER SHARE

Basic earnings per share are calculated based on the Group's net profit attributable to equity holders of the Company of HK$36,966,000 (2005: HK$1,553,000) and on 171,355,871 (2005: 171,355,871) ordinary shares in issue during the year.

No diluted earnings per share are presented as the Company has no potential ordinary shares outstanding for the two years ended 31st March, 2006.

The impact on the previously reported basic earnings per share for the year ended 31st March, 2005 as a result of changes in accounting policies as stated in note 3 is as follows:

	HK cents
Reported figure before adjustments	2.20
Adjustments arising from changes in accounting policies	(1.29)
Restated figure	0.91

The impact on the basic earnings per share for the year ended 31st March, 2006 due to the change in accounting policies as stated in note 3 is a decrease in earnings of 2.30 HK cents per share.

14. INVESTMENT PROPERTIES

	2006	2005
	HK$'000	*HK$'000*
Fair value at 1st April,	**5,160**	5,160
Transferred from property, plant and equipment	**1,770**	–
Increase in fair value	**190**	–
Fair value at 31st March,	**7,120**	5,160

The Group's investment properties are situated in the Mainland China under medium-term leases.

The fair value of the Group's investment properties at 31st March, 2006 has been arrived at on the basis of a valuation carried out on that date by Messrs. DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group. Messrs. DTZ Debenham Tie Leung Limited are members of The Hong Kong Institute of Surveyors ("HKIS"), and have appropriate qualifications and experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to the Valuation Standards on Properties of the HKIS, was arrived at by reference to market evidence of transaction prices for similar properties.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land HK$'000	Buildings HK$'000	Overseas properties on freehold land HK$'000	Machinery, tools and equipment HK$'000	Store and other equipment HK$'000	Store machine HK$'000	Furniture, fixtures, office equipment and motor vehicles for own use HK$'000	Furniture, fixtures, office equipment and motor vehicles for lease HK$'000	Total HK$'000
COST									
At 1st April, 2004 as originally stated	4,368	4,259	8,565	13,139	–	–	16,480	7,700	54,511
Opening balance adjustments of revaluation surplus	–	1,787	1,270	–	–	–	–	–	3,057
Reclassification to prepaid lease payments	(4,368)	–	–	–	–	–	–	–	(4,368)
At 1st April, 2004 as restated	–	6,046	9,835	13,139	–	–	16,480	7,700	53,200
Exchange adjustments	–	11	64	28	–	–	51	21	175
Additions	–	–	–	463	–	–	529	5,071	6,063
Disposals	–	(630)	–	(3,869)	–	–	(4,069)	(876)	(9,444)
At 31st March, 2005	–	5,427	9,899	9,761	–	–	12,991	11,916	49,994
Exchange adjustments	–	24	35	13	130	51	23	12	288
Reclassification to investment properties	–	(841)	–	–	–	–	–	–	(841)
Acquired on acquisition of subsidiaries	–	–	–	–	20,098	5,980	–	90	26,168
Additions	–	–	–	560	10,992	3,900	126	8,912	24,490
Disposals	–	(680)	–	(1,256)	(2,280)	(353)	(1,091)	(3,136)	(8,796)
At 31st March, 2006	–	3,930	9,934	9,078	28,940	9,578	12,049	17,794	91,303
ACCUMULATED DEPRECIATION									
At 1st April, 2004 as originally stated	–	–	–	10,878	–	–	12,642	1,949	25,469
Opening balance adjustments	–	1,417	1,516	–	–	–	–	–	2,933
At 1st April, 2004 as restated	–	1,417	1,516	10,878	–	–	12,642	1,949	28,402
Exchange adjustments	–	6	10	35	–	–	50	21	122
Provided for the year	–	182	124	1,004	–	–	946	2,090	4,346
Eliminated on disposals	–	–	–	(3,523)	–	–	(3,652)	(219)	(7,394)
At 31st March, 2005	–	1,605	1,650	8,394	–	–	9,986	3,841	25,476
Exchange adjustments	–	7	6	25	–	–	30	24	92
Reclassification to investment properties	–	(151)	–	–	–	–	–	–	(151)
Provided for the year	–	182	124	833	8,214	2,230	714	3,504	15,801
Eliminated on disposals	–	(113)	–	(1,101)	(1,718)	(253)	(951)	(1,674)	(5,810)
At 31st March, 2006	–	1,530	1,780	8,151	6,496	1,977	9,779	5,695	35,408
CARRYING VALUES									
At 31st March, 2006	–	2,400	8,154	927	22,444	7,601	2,270	12,099	55,895
At 31st March, 2005	–	3,822	8,249	1,367	–	–	3,005	8,075	24,518

16. PREPAID LEASE PAYMENTS

	2006	2005
	HK$'000	*HK$'000*
The Group's prepaid lease payments comprise:		
Leasehold land in Hong Kong under medium-term lease	**1,490**	2,417
Leasehold land in Mainland China under		
Long-term lease	**642**	654
Medium-term lease	**–**	973
Overseas leasehold land under short-term lease	**60**	71
	2,192	4,115

17. GOODWILL

	HK$'000
At 1st April, 2004 and 2005	–
Arising on acquisition of subsidiaries	82,392
At 31st March, 2006	82,392

Particulars regarding impairment testing on goodwill are disclosed in note 37.

18. TRADEMARK

The trademark was purchased as part of a business combination as detailed in note 34 during the year. The trademark is legally having a life of certain periods but is renewable at minimal cost. The Directors are of the opinion that the Group would renew the trademark continuously and has the ability to do so. Various studies including market trends and competitability of similar food and beverage market have been performed by management of the Group, which supports that the trademark has no foreseeable time limit over which the branded coffee shops are expected to generate cash flows for the Group.

As a result, the trademark is considered by the management of the Group as having an indefinite useful life. The trademark will not be amortised until its useful life is determined to be finite upon reassessment of its useful life annually by the management. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired. Particulars of impairment testing are disclosed in note 37.

19. INTEREST IN AN ASSOCIATE

	2006	2005
	HK$'000	*HK$'000*
Cost of investment in an unlisted associate	**105**	105
Share of post-acquisition losses	**(105)**	(105)
	–	–

19. INTEREST IN AN ASSOCIATE – continued

As at 31st March, 2006, the Group had interest in the following associate:

Name	Form of business structure	Country of incorporation and operation	Effective percentage of registered capital held by the Group %	Principal activities
Guangzhou Chevalier iTech Limited	Corporate	Mainland China	24	Trading of office equipment and provision of maintenance services

The summarised financial information in respect of the associate is set out below:

	2006 ***HK$'000***	2005 *HK$'000*
Total assets	**832**	1,040
Total liabilities	**(4,282)**	(4,361)
Net liabilities	**(3,450)**	(3,321)
Revenue	**1,633**	26,114
Loss for the year	**(58)**	(3,452)
Group's share of net assets of the associate	**–**	–
Group's share of loss of the associate for the year	**–**	(826)

The Group has discontinued recognition of its share of loss of the associate. The amount of unrecognised share of loss for the year and accumulated unrecognised share of losses of the associate amounted to HK$14,000 and HK$828,000 (2005: HK$2,000 and HK$797,000) respectively.

20. AMOUNT DUE FROM AN ASSOCIATE

	2006 ***HK$'000***	2005 *HK$'000*
Amount due from an associate	**3,258**	1,513
Less: allowance for doubtful amount	**(3,258)**	(1,134)
	–	379

The amount due from an associate was unsecured, interest free and not expected to be repaid within twelve months after the balance sheet date.

21. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments as at 31st March, 2006 comprise the followings:

	HK$'000
Unlisted equity securities, at cost less impairment	2,270
Investment in a venture capital fund, at fair value	7,750
	10,020

Unlisted equity securities are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the Directors of the Company are of the opinion that their fair value cannot be measured reliably. The fair value of investments in a venture capital fund was calculated based on the Group's attributable interest in the fair value of the fund's net assets.

22. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Investments at fair value through profit or loss as at 31st March, 2006 comprise the following:

	HK$'000
Held for trading:	
Equity securities, listed overseas	4,553
Debt securities listed overseas	31,430
Debt securities, unlisted	37,296
	73,279
Designated as investments at fair value through profit or loss:	
Structured deposits	49,588
	122,867
Represented by:	
Non-current assets	49,588
Current assets	73,279
	122,867

The fair values of the above investments are determined either based on the quoted market bid price available on the relevant exchange or the market prices provided by the relevant financial institutions.

The above structured deposits are denominated in United Stated Dollars with fixed interest rates for the first year and the remaining years with interest rates linked with either constant maturity swap rate or LIBOR.

23. INVESTMENTS IN SECURITIES

Investments in securities as at 31st March, 2005 are set out below. Upon the application of HKAS 39 on 1st April, 2005, investments in securities were reclassified to appropriate categories under HKAS 39. Accordingly, an amount of HK$4,440,000 and HK$110,815,000 were reclassified to available-for-sale investments and investments at fair value through profit or loss respectively.

	HK$'000
Investment securities:	
Equity securities, unlisted	4,440
Other investments:	
Equity securities at market value, listed in Hong Kong	267
Debt securities at market value, listed overseas	5,838
Debt securities, unlisted	85,355
Mutual funds, unlisted	19,355
	115,255
Carrying values analysed for reporting purposes as:	
Non-current assets	4,440
Current assets	110,815
	115,255

24. INVENTORIES

	2006	2005
	HK$'000	*HK$'000*
Inventories held for resale	**57,580**	50,156
Consumable stores	**9,411**	5,106
	66,991	55,262

The cost of inventories recognised as an expense during the year was HK$424,540,000 (2005: HK$381,115,000).

A reversal of previous write-down of inventories of HK$7,631,000 (2005: HK$3,601,000) has been realised on sales of these inventories during the year.

25. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group has established different credit policies for customers in each of its core businesses. The average credit period granted to the customers is 60 days except for sales of food and beverage at coffee shops which are mainly on cash basis. The following is an ageing analysis of trade debtors net of allowance of doubtful debts at the balance sheet date:

	2006	2005
	HK$'000	*HK$'000*
0 – 60 days	**49,348**	47,891
61 – 90 days	**2,533**	1,871
Over 90 days	**4,745**	2,654
	56,626	52,416

The carrying amounts of the Group's trade and other debtors approximate to their fair values.

26. AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

The amount due from ultimate holding company is unsecured, interest-free and repayable on demand. The Directors consider that its carrying amount approximates to its fair value.

27. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	2006	2005
	HK$'000	*HK$'000*
Contracts in progress at the balance sheet date:		
Contract costs incurred	**40,449**	48,626
Recognised profits less losses	**127**	(6,492)
	40,576	42,134
Progress billings	**(40,498)**	(41,394)
	78	740
Represented by:		
Amounts due from customers included in current assets	**342**	939
Amounts due to customers included in current liabilities	**(264)**	(199)
	78	740

At 31st March, 2006, retentions held by customers for contract work and advance payments received from customers for contract work amounted to HK$42,000 (2005: HK$2,305,000) and HK$162,000 (2005: Nil) respectively.

28. DERIVATIVE FINANCIAL INSTRUMENTS

During the year, the Group has used foreign currency forward contracts to hedge against certain of its trade payables that were denominated in foreign currencies. These derivatives are not qualified for hedge accounting.

At 31st March, 2006, the Group had entered into foreign currency forward contracts denominated in United States dollars with total notional amount of HK$58,200,000 (2005: HK$234,392,000).

All derivatives of the Group are measured at fair value at each balance sheet date. Their fair values are determined based on the market prices for equivalent instruments quoted by the counterparties at the balance sheet date and from the financial models based on principal sum and estimate about future market conditions.

29. BANK BALANCES AND CASH EQUIVALENTS

Bank balances and cash equivalents comprise short-term bank deposits carrying interest at prevailing market rate. The Directors consider that the carrying values of the amounts at the balance sheet date approximate to their fair values.

Include in bank balances and cash is an amount of HK$29,720,000 (2005: HK$49,061,000) denominated in United States Dollars.

30. CREDITORS AND BILLS PAYABLE

The following is an ageing analysis of the trade creditors and bills payable at the balance sheet date:

	2006	2005
	HK$'000	*HK$'000*
0 – 60 days	**31,166**	20,901
61 – 90 days	**333**	1,445
Over 90 days	**2,917**	2,210
Trade creditors and bills payable	**34,416**	24,556

The carrying amounts of the Group's trade and other creditors and bills payable approximate to their fair values.

31. BANK BORROWINGS

	2006 HK$'000	2005 HK$'000
Bank overdraft	–	121
Bank loans	101,000	–
	101,000	121
The bank borrowings are repayable as follows:		
Within one year	52,000	121
More than 1 year but not exceeding 2 years	12,000	–
More than 2 years but not exceeding 5 years	37,000	–
	101,000	121
Less: amounts due within one year shown under current liabilities	(52,000)	(121)
	49,000	–

The bank borrowings were unsecured, carried floating interest rate at HIBOR plus certain margin per annum. The average effective interest rate for the current year was 4.3% per annum.

The fair values of the bank borrowings approximate to their carrying amounts.

32. SHARE CAPITAL

	2006 HK$'000	2005 HK$'000
Authorised: 240,000,000 (2005: 240,000,000) ordinary shares of HK$0.50 (2005: HK$0.50) each	120,000	120,000
Issued and fully paid: 171,355,871 (2005: 171,355,871) ordinary shares of HK$0.50 (2005: HK$0.50) each	85,678	85,678

33. DEFERRED TAXATION

The followings are the major deferred tax liabilities (assets) recognised and movements thereon during the year:

	Accelerated tax depreciation	Tax losses	Trademark	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st April, 2004	536	(107)	–	(50)	379
Charge (credit) to income for the year	388	(651)	–	(36)	(299)
At 31st March, 2005	924	(758)	–	(86)	80
Arising from acquisition of subsidiaries	835	(211)	18,900	–	19,524
Charge (credit) to income for the year	441	(200)	–	40	281
At 31st March, 2006	2,200	(1,169)	18,900	(46)	19,885

At 31st March, 2006, no deferred tax asset has been recognised in respect of the remaining unused tax losses of HK$478,703,000 (2005: HK$500,605,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$761,000 (2005: HK$2,318,000) that will expire in 2011. Other tax losses may be carried forward indefinitely.

At 31st March, 2006, the Group had deductible temporary difference of HK$26,148,000 (2005: HK$28,633,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary difference can be utilised.

34. ACQUISITION OF SUBSIDIARIES

On 20th May, 2005, the Group acquired the entire issued share capital of Pacific Coffee (Holdings) Limited ("Pacific Coffee") at a consideration of HK$205,963,000. The acquisition has been accounted for using the purchase method.

The net assets acquired and the goodwill arising from the acquisition are as follows:

	Acquiree's carrying amount *HK$'000*	**Fair value adjustments** *HK$'000*	**Fair value of net assets** *HK$'000*
Net assets acquired:			
Property, plant and equipment	26,168	–	26,168
Trademark	–	108,000	108,000
Inventories	4,329	–	4,329
Debtors, deposits and prepayments	17,384	–	17,384
Bank and cash balances	1,432	–	1,432
Provision for taxation	(3,124)	–	(3,124)
Deferred services income	(63)	–	(63)
Deferred tax liabilities	(624)	(18,900)	(19,524)
Creditors, deposits and accruals	(10,031)	–	(10,031)
Contingent liabilities	–	(1,000)	(1,000)
	35,471	88,100	123,571
Goodwill			82,392
			205,963
Total costs:			
Purchase consideration satisfied by cash			203,684
Costs incurred for the acquisition			2,279
			205,963
Net cash outflow arising on acquisition:			
Cash consideration paid			(205,963)
Bank balances and cash acquired			1,432
			(204,531)

34. ACQUISITION OF SUBSIDIARIES – continued

The goodwill arising on the acquisition of Pacific Coffee is attributable to the anticipated profitability of the operation of coffee shops.

The Group recognised the contingent liabilities of approximately HK$1,000,000 in respect of liquidated damages for an alleged breach of a wholesale food supply contract.

Pacific Coffee contributed in its 10-month period HK$179.5 million and HK$18.8 million to the Group's revenue and profit before tax for the year respectively.

If the acquisition had been completed on 1st April, 2005, the Group's revenue for the year would have been HK$859 million, and profit for the year would have been HK$39.8 million. This proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st April, 2005, nor is it intended to be a projection of future profits.

35. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purpose, the Group is organised into three divisions. These divisions are the basis on which the Group reports its primary segment information. In prior year, the Group was organised into four divisions, which were computer and business machines, network solution and telecommunication system, technical and maintenance services and investment in securities and others. Due to the entry into a new business, the food and beverage market and the streamline of its existing business, the Group reorganises its business activities into three divisions. Segment information about these businesses is presented below. Comparative figures have been restated to conform with the current year's presentation.

Turnover and results

Year ended 31st March, 2006

	Computer and information communication technology *HK$'000*	Food and beverage *HK$'000*	Investments in securities and others *HK$'000*	Consolidated *HK$'000*
TURNOVER	549,011	179,469	103,265	831,745
RESULTS				
Segment results	18,352	18,794	5,734	42,880
Unallocated corporate expenses				(5,611)
Unallocated corporate income				5,812
Interest income				1,653
Finance costs				(3,906)
Profit before taxation				40,828
Income tax expenses				(3,862)
Profit for the year				36,966

35. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

Business segments – continued

Turnover and results

Year ended 31st March, 2005

	Computer and information communication technology *HK$'000*	Investments in securities and others *HK$'000*	Consolidated *HK$'000* (Restated)
TURNOVER	574,860	112,248	687,108
RESULTS			
Segment results	1,546	1,349	2,895
Unallocated corporate expenses			(445)
Interest income			269
Share of results of an associate	(826)	–	(826)
Finance costs			(1)
Profit before taxation			1,892
Income tax expenses			(339)
Profit for the year			1,553

The Group has no inter-segment sales for the two years ended 31st March, 2006.

35. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

Assets and liabilities

As at 31st March, 2006

	Computer and information communication technology *HK$'000*	Food and beverage *HK$'000*	Investments in securities and others *HK$'000*	Consolidated *HK$'000*
ASSETS				
Segment assets	**146,579**	**254,634**	**156,358**	**557,571**
Unallocated corporate assets				**73,261**
Consolidated total assets				**630,832**
LIABILITIES				
Segment liabilities	**69,948**	**17,878**	**–**	**87,826**
Unallocated corporate liabilities				**131,730**
Consolidated total liabilities				**219,556**

Assets and liabilities

As at 31st March, 2005

	Computer and information communication technology *HK$'000*	Investments in securities and others *HK$'000*	Consolidated *HK$'000* (Restated)
ASSETS			
Segment assets	135,101	238,064	373,165
Amount due from an associate	379	–	379
Unallocated corporate assets			86,911
Consolidated total assets			460,455
LIABILITIES			
Segment liabilities	70,480	–	70,480
Unallocated corporate liabilities			11,439
Consolidated total liabilities			81,919

35. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

Other information

Year ended 31st March, 2006

	Computer and information communication technology *HK$'000*	Food and beverage *HK$'000*	Investments in securities and others *HK$'000*	Consolidated *HK$'000*
Capital additions	**8,635**	**149,975**	**48**	**158,658**
Depreciation	**4,775**	**10,567**	**459**	**15,801**
Impairment loss on available-for-sale investments	**–**	**–**	**2,466**	**2,466**
Loss (gain) on disposal of property, plant and equipment	**198**	**686**	**(1,235)**	**(351)**
Write-down of inventories	**1,000**	**–**	**–**	**1,000**

Other information

Year ended 31st March, 2005

	Computer and information communication technology *HK$'000*	Investments in securities and others *HK$'000*	Consolidated *HK$'000* (Restated)
Allowance of doubtful debts	955	–	955
Capital additions	5,664	399	6,063
Depreciation	4,208	138	4,346
Impairment loss on investment securities	–	560	560
Loss on disposal of property, plant and equipment	450	–	450
Write-down of inventories	518	–	518

Geographical segments

The Group's operations in food and beverage business are carried out in Hong Kong, Singapore and Mainland China whereas its operations in the computer and information communication technology business are carried out in Hong Kong, Thailand and Mainland China. The trading of investments in securities is carried out in Hong Kong. The following is an analysis of the Group's turnover by geographical market:

	Turnover by geographical market			
	2006		2005	
	HK$'000	**%**	*HK$'000*	%
Hong Kong	**746,747**	**89**	607,118	88
Thailand	**66,284**	**8**	69,028	10
Singapore	**15,730**	**2**	–	–
Others	**2,984**	**1**	10,962	2
	831,745	**100**	687,108	100

35. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

Geographical segments – continued

The following is an analysis of the carrying amounts of segment assets and additions to property, plant and equipment and intangible assets analysed by geographical area in which the assets are located:

	Carrying amounts of segment assets				Additions to properties, plant and equipment and intangible assets			
	2006		2005		**2006**		2005	
	HK$'000	***%***	*HK$'000*	*%*	***HK$'000***	***%***	*HK$'000*	*%*
Hong Kong	**558,891**	**89**	400,498	87	**153,444**	**97**	5,036	82
Thailand	**51,977**	**8**	51,551	11	**909**	**1**	1,006	17
Singapore	**9,307**	**1**	–	–	**3,149**	**1**	–	–
Others	**10,657**	**2**	8,406	2	**1,156**	**1**	21	1
	630,832	**100**	460,455	100	**158,658**	**100**	6,063	100

36. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid to the Directors of the Company are as follows:

	2006			
	Directors' fees	**Salaries and other benefits**	**Retirement benefit scheme contributions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors:				
Miss Lily Chow	**–**	**1,212**	**91**	**1,303**
Independent Non-Executive Directors:				
Mr Shinichi Yonehara	**120**	**–**	**–**	**120**
Mr Wu King Cheong	**120**	**–**	**–**	**120**
Mr Kwong Man Sing	**120**	**–**	**–**	**120**
	360	**1,212**	**91**	**1,663**

	2005			
	Directors' fees	Salaries and other benefits	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive Director:				
Miss Lily Chow	–	1,212	8	1,220
Independent Non-Executive Directors:				
Mr Shinichi Yonehara	120	–	–	120
Mr Wu King Cheong	120	–	–	120
Mr Kwong Man Sing	60	–	–	60
	300	1,212	8	1,520

36. DIRECTORS' AND EMPLOYEES' EMOLUMENTS – continued

Except for the directors' fees paid to each of the Independent Non-executive Directors, no other emoluments were paid or payable to the Independent Non-executive Directors during the two years ended 31st March, 2006.

In addition to the directors' emoluments disclosed above, Dr Chow Yei Ching, Mr Fung Pak Kwan, Mr Kuok Hoi Sang, Mr Chow Vee Tsung, Oscar and Mr Kan Ka Hon, Directors of the Company received remuneration totalling HK$20,074,000 (2005: HK$16,621,000) from the Company's ultimate holding company in respect of their services provided to the ultimate holding company and its subsidiaries including the Group.

The amounts paid by the ultimate holding company have not been allocated between the services of the directors as Directors of the Company and its subsidiaries, and their services to the ultimate holding company and its other subsidiaries.

The five highest paid individuals of the Group for the year ended 31st March, 2006 included one Director (2005: one Director), details of whose emoluments are set out above. The emoluments of the remaining four (2005: four) highest paid individuals are as follows:

	2006	2005
	HK$'000	*HK$'000*
Performance based bonus	**349**	–
Salaries and other benefits	**3,804**	3,197
Retirement benefit scheme contributions	**158**	181
	4,311	3,378

The emoluments of these four highest paid individuals fall within the following bands:

	Number of individuals	
	2006	2005
Bands		
Nil – HK$1,000,000	**2**	3
HK$1,000,001 – HK$1,500,000	**1**	1
HK$1,500,001 – HK$2,000,000	**1**	–
	4	4

37. IMPAIRMENT TESTING ON GOODWILL AND TRADEMARK

As explained in note 35, the Group uses business segments as its primary segment for reporting segment information. For the purpose of impairment testing, goodwill and trademark with indefinite useful lives set out in notes 17 and 18 respectively have been allocated to a single CGU,"food and beverage".

During the year ended 31st March, 2006, management of the Group determined that there has been no impairment of its CGU containing the goodwill or the trademark.

37. IMPAIRMENT TESTING ON GOODWILL AND TRADEMARK – continued

The recoverable amount of the CGU has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a four-year period and the cash flows beyond the four-year period are extrapolated using diminishing growth rates from 10% and a discount rate of 12%. These growth rates are based on the relevant industry growth forecasts and do not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value-in-use calculations is the budgeted gross margin, which is determined based on the CGU's past performance and management's expectations for the market development. Management believes that any reasonable possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed its recoverable amount.

38. CHARGE ON ASSETS

At 31st March, 2006, certain properties with an aggregate carrying value of HK$7,605,000 (2005: HK$8,163,000) were mortgaged to secure general banking facilities granted to an overseas subsidiary.

39. OPERATING LEASE

The Group as lessee

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

	2006	2005
	HK$'000	*HK$'000*
Within one year	**51,269**	3,655
In the second to fifth year inclusive	**63,969**	83
	115,238	3,738

Operating leases are negotiated and rentals are fixed for lease term ranging from two to three years.

The operating lease rentals of certain coffee shops of the Group are determined based on the turnover of the coffee shops should such amounts be higher than the minimum guaranteed rental.

The Group as lessor

All the investment properties were leased out for a period of three years and the Group did not have any renewal options given to the lessee. The future payments receivable by the Group with one year under non-cancellable operating leases amounted to HK$292,000 (2005: HK$360,000).

40. SHARE OPTION SCHEMES

The Company's share option scheme (the "Scheme") was adopted by the shareholders pursuant to a resolution passed on 20th September, 2002 for the primary purpose of providing the participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The Scheme will expire on 19th September, 2012.

40. SHARE OPTION SCHEMES – continued

The total number of shares in respect of which options may be granted under the Scheme and any other schemes is not permitted to exceed 10% of the shares of the Company in issue at the date of shareholders' approval of the Scheme (the "Scheme Mandate Limit") or, if such 10% limit is refreshed, at the date of shareholders' approval of the renewal of the Scheme Mandate Limit. The maximum aggregate number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes, must not exceed 30% of the total number of shares of the Company in issue from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company then in issue, without prior approval from the Company's and CIHL's shareholders. Each grant of options to any director, chief executive or substantial shareholder must be approved by Independent Non-executive Directors of the Company and CIHL. Where any grant of options to a substantial shareholder or any Independent Non-executive Director or any of their respective associates would result in the shares of the Company issued and to be issued upon exercise of options already granted and to be granted in excess of 0.1% of the Company's issued share capital and with a value in excess of HK$5,000,000 in the 12-month period up to the date of grant, such grant must be approved in advance by the Company's and CIHL's shareholders.

Options granted must be taken up within 30 days from the date of grant, upon payment of HK$1 per grant. An option may be exercised in accordance with the terms of the Scheme at any time during the effective period of the Scheme to be notified by the Board of Directors which shall not be later than 10 years from the date of grant. The exercise price is determined by the Directors of the Company, and will not be less than the highest of the closing price of the Company's share on the date of grant, the average closing price of the share on the Stock Exchange for the five business days immediately preceding the date of grant, and the nominal value.

No options have been granted under the Scheme.

41. RETIREMENT BENEFITS

The Group has established various retirement benefit schemes for the benefit of its staff in Hong Kong and overseas. In Hong Kong, the Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1st December, 2000 are required to join the MPF Scheme.

For members of the MPF Scheme, the Group contributes 5% of the relevant payroll costs at a maximum of HK$1,000 to the Scheme. The ORSO Scheme is funded by monthly contributions from both employees at rate of 5%, and the Group at rates ranging from 5% to 7.5% of the employee's basic salary, depending on the length of service with the Group.

Arrangements for staff retirement benefits of overseas employees vary from country to country and are made in accordance with local regulations and customs.

41. RETIREMENT BENEFITS – continued

Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. The amount of forfeited contributions utilised in this manner during the year was HK$201,000 (2005: HK$206,000). At 31st March, 2006, the total amount of forfeited contributions, which arose upon employees leaving the ORSO Scheme and which are available to reduce the contributions payable in future years, was HK$59,000 (2005: HK$70,000). At 31st March, 2006, contributions of HK$555,000 (2005: HK$272,000) were due in respect of the reporting period and were paid over to the ORSO Scheme in April, 2006.

42. RELATED PARTY TRANSACTIONS

Details of the material transactions with CIHL and its subsidiaries and the Company's associate regarded as related parties for the purpose of HKAS 24 "Related Party Disclosures" issued by the HKICPA are as follows:

(a) On 28th March, 2005, the Company renewed the management agreement with Chevalier (HK) Limited ("CHKL"), a wholly-owned subsidiary of CIHL, for the provision of company secretarial, accounting, electronic data processing, personnel and property management services by CHKL to the Group in respect of the year ended 31st March, 2006 at a management fee calculated at the rate of 0.5% of the annual turnover of the Group excluding those of its overseas subsidiaries. Management fees paid to CHKL during the year under this agreement amounted to HK$4,005,000 (2005: HK$2,775,000). The management agreement expired on 28th March, 2006 and has been renewed for a further term of one year.

(b) During the year, the Group sold computer equipment and business machines and provided maintenance services to wholly-owned subsidiaries of CIHL totalling HK$10,103,000 (2005: HK$10,241,000).

(c) During the year, the Group paid rentals determined with reference to market amounting to HK$4,305,000 (2005: HK$3,828,000) to wholly-owned subsidiaries of CIHL, for the use of their premises by the Group.

(d) During the year, the Group paid storage and delivery charges amounting to HK$158,000 (2005: HK$2,054,000) and HK$Nil (2005: HK$735,000), respectively, to a wholly-owned subsidiary of CIHL to cover its costs for services provided to the Group.

(e) The Group made advances totalling HK$1,366,000 (2005: repaid HK$1,304,000) to an associate. Full provision of approximately HK$1,745,000 was made on the outstanding amount due at 31st March, 2006 (2005: provision of HK$1,140,000).

(f) The remuneration paid and payable to the directors and other members of key management during the year was disclosed in note 36. The remuneration of directors and any key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

The outstanding balance due from CIHL and its subsidiaries arising from the above transactions mentioned in (a) to (d) and payment of recurring expenses on behalf of the Group as at 31st March, 2006 amounted to HK$3,083,000 (2005: HK$1,477,000).