1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Subsidiaries and controlled entities

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

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Goodwill

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

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

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

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

(e) Other investments in debt and equity securities

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

(f) Other property, plant and equipment

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

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

– other items of plant and equipment.

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Leased assets

i) Classification of assets leased to the Group

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

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

ii) Assets acquired under finance leases

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

iii) Operating lease charges

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Impairment of assets

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

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

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

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Impairment of assets (Continued)

(ii) Impairment of other assets

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

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

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

– intangible assets;

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

– goodwill.

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

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

– Reversals of impairment losses

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

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

(i) Trade and other receivables

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

(j) Interest-bearing borrowings

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

(k) Trade and other payables

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

(l) Cash and cash equivalents

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Employee benefits

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

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

(ii) Share based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Black-Scholes Option Pricing Model ("BS-Model") taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Income tax

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

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Income tax (Continued)

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

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

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

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

  - the same taxable entity; or

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

(o) Provisions and contingent liabilities

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Revenue recognition

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

(i) Sales of goods

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

(ii) Rental income from operating leases

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

(iii) Interest income

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

(q) Translation of foreign currencies

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Translation of foreign currencies (Continued)

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

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

(r) Borrowing costs

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

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

(s) Related parties

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

(t) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Segment reporting (Continued)

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar as those available to other external parties.

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

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

2. CHANGE IN ACCOUNTING POLICIES

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

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

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

(a) Restatement of prior periods and opening balances

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

2. CHANGE IN ACCOUNTING POLICIES (Continued)

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

(i) Effect on the consolidated financial statements

Consolidated income statement for the year ended 31 March 2005

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

2. CHANGE IN ACCOUNTING POLICIES (Continued)

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

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

Consolidated balance sheet at 31 March 2005

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

2. CHANGE IN ACCOUNTING POLICIES (Continued)

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

(ii) Effect on the Company financial statements

Balance sheet at 31 March 2005

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

2. CHANGE IN ACCOUNTING POLICIES (Continued)

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

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

(i) Effect on the consolidated financial statements

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

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

2. CHANGE IN ACCOUNTING POLICIES (Continued)

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

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

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

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

2. CHANGE IN ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

2. CHANGE IN ACCOUNTING POLICIES (Continued)

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

(ii) Effect on the Company's balance sheet

Estimated effect on the balance sheet at 31 March 2006:

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

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

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

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

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

2. CHANGE IN ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

Amortisation of goodwill

In prior periods:

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

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

2. CHANGE IN ACCOUNTING POLICIES (Continued)

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

Amortisation of goodwill (Continued)

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

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

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

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

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

2. CHANGE IN ACCOUNTING POLICIES (Continued)

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

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

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

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

(i) Leasehold land and buildings held for own use

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

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

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

(ii) Description of transitional provisions and effect of adjustments

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

2. CHANGE IN ACCOUNTING POLICIES (Continued)

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

(i) Investments in equity securities

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

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

(ii) Description of transitional provisions and effect of adjustments

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

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

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

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

3. TURNOVER

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

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

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

4. OTHER REVENUE AND NET INCOME

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

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

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

6. (LOSS) BEFORE TAXATION

(Loss) before taxation is arrived at after charging:

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

7. DISPOSAL OF SUBSIDIARIES

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

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

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

8. IMPAIRMENT LOSS OF DEPOSIT AND OTHER LOANS RECEIVABLE

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

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

Notes:

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

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

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

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

Notes: (Continued)

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

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

9. DISCONTINUED OPERATION

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

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

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

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

10. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

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

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

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

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

11. DIRECTORS' REMUNERATION

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

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

11. DIRECTORS' REMUNERATION (Continued)

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

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

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

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

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

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

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

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

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

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

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

14. (LOSS) PER SHARE

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

Weighted average number of ordinary shares

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

15. SEGMENT REPORTING

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

Business segments

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

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

15. SEGMENT REPORTING (Continued)

Primary reporting format – business segments

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

Inter-segment sales are charged at prevailing market rates.

15. SEGMENT REPORTING (Continued)

Primary reporting format – business segments (Continued)

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

15. SEGMENT REPORTING (Continued)

Geographical segments

The Group operates in one main geographical area:

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

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

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

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

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

16. FIXED ASSETS

(a) The Group

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

16. FIXED ASSETS (Continued)

(a) The Group (Continued)

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

16. FIXED ASSETS (Continued)

(a) The Group (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

18. GOODWILL

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

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

19. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

20. LOANS RECEIVABLE

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

Notes:

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

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

21. AMOUNT DUE FROM AN INVESTEE COMPANY

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

22. CASH AND CASH EQUIVALENTS

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

23. TRADE AND OTHER PAYABLES

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

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

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

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

24. BANK AND OTHER SHORT-TERM BORROWINGS

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

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

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

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

25. OBLIGATIONS UNDER A FINANCE LEASE

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

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

26. INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the balance sheet represents:

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

26. INCOME TAX IN THE BALANCE SHEET (Continued)

(b) Deferred tax assets and liabilities recognised:

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

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

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

26. INCOME TAX IN THE BALANCE SHEET (Continued)

(c) Deferred tax assets not recognised

The Group

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

27. CAPITAL AND RESERVES

(a) The Group

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

27. CAPITAL AND RESERVES (Continued)

(b) The Company

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

27. CAPITAL AND RESERVES (Continued)

(c) Share capital

(i) Authorised and issued share capital

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

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

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

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

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

27. CAPITAL AND RESERVES (Continued)

(d) Nature and purpose of reserves

(i) Contributed surplus

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

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

(ii) Exchange reserve

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

(iii) Fair value reserve

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

e) Distributability of reserves

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

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

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

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

28. INVESTMENTS IN SUBSIDIARIES

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

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

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

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

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

28. INVESTMENTS IN SUBSIDIARIES

b) (Continued)

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

Notes:

(i) Domestic owned enterprise

(ii) Wholly foreign owned enterprise

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

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

29. DEFINED CONTRIBUTION RETIREMENT PLAN

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

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

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

30. EQUITY SETTLED SHARE-BASED TRANSACTIONS

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

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

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

30. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

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

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

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

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

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

30. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

(c) Fair value of share options and assumptions

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

Fair value of share options and assumptions

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

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

31. FINANCIAL INSTRUMENTS

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

(a) Credit risk

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

31. FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

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

(b) Interest rate risk

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

(c) Foreign currency risk

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

(d) Estimation of fair values

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

32. COMMITMENTS

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

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

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

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

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

33. CONTINGENT ASSETS AND LIABILITIES

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

34. LITIGATION

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

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

35. NON-ADJUSTING POST BALANCE SHEET EVENTS

(a) Share consolidation

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

(b) Increase in authorised share capital

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

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

(c) Subscription agreements

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

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

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

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

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

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

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

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

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

(c) Subscription agreements (Continued)

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

(d) Agreement for acquisition of an associate

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

36. COMPARATIVE FIGURES

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

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

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

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

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

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

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

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