1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange). The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate information" in the annual report.

The principal activities of the Group are provision for cold storage and related logistics services, manufacture and trading of ice, property investment and investment holding.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations (new "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are either effective for accounting periods beginning on or after 1st December, 2005 or 1st January, 2006. The adoption of these new HKFRSs has had no material effect on how the results and financial position for the current and prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company is still not yet in the position to reasonably estimate the impact that may arise on the Group's results and financial position from the application of these standards, amendment or interpretations.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[7]
HK(IFRIC) – INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[2]
HK(IFRIC) – INT 8	Scope of HKFRS 2[3]
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives[4]
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment[5]
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions[6]
HK(IFRIC) – INT 12	Service Concession Arrangements[8]

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

[1] Effective for annual periods beginning on or after 1st January, 2007.
[2] Effective for annual periods beginning on or after 1st March, 2006.
[3] Effective for annual periods beginning on or after 1st May, 2006.
[4] Effective for annual periods beginning on or after 1st June, 2006.
[5] Effective for annual periods beginning on or after 1st November, 2006.
[6] Effective for annual periods beginning on or after 1st March, 2007.
[7] Effective for annual periods beginning on or after 1st January, 2009
[8] Effective for annual periods beginning on or after 1st January, 2008

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis except for investment properties which are measured at fair values.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards, issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

All intercompany transactions and balances within the Group have been eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business combinations" are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Goodwill

Goodwill arising on acquisitions on or after 1st January, 2005

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

Impairment of goodwill

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

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

Goodwill arising on acquisitions prior to 1st January, 2005

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

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

Jointly controlled operations

When a group entity undertakes its activities under joint venture arrangements directly, constituted as jointly controlled operations, the assets and liabilities arising from those jointly controlled operations are recognised in the balance sheet of the relevant company on an accrual basis and classified according to the nature of the item. The Group's share of the income from jointly controlled operations, together with the expenses that it incurs are included in the income statement when it is probable that the economic benefits associated with the transactions will flow to/from the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recoverable principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' (disposal groups') previous carrying amount and fair value less costs to sell.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion that costs incurred to date bear to estimated total costs for each contract. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

Others

Storage income is recognised on a time proportion basis over the period in which storage services are provided.

Logistics service income is recognised when services are provided.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Property, plant and equipment

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

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as assets owned by the Group or, where shorter, the term of the relevant lease.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

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

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

Impairment (other than goodwill)

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

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

Retirement benefit costs

Payments to defined contribution retirement benefit plan/the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

Taxation

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Loans and receivable

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue cost.

Convertible bond

Convertible bond issued by the Company that contains both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. Conversion option which will be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rates of similar non-convertible debts. The difference between the proceeds of the issue of the convertible bond and the fair value assigned to the liability component, representing the embedded call option for the holder to convert the bond into equity, is included in equity (convertible bond equity reserve).

In subsequent periods, the liability component of the convertible bond is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible bond equity reserve until the embedded option is exercised (in which case the balance stated in convertible bond equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bond equity reserve will be released to the retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bond are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bond using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Other financial liabilities

Other financial liabilities (including trade and other payables, promissory notes, unclaimed dividends and amount due to minority shareholder of a subsidiary) are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest method.

Derecognition

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

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

4. REVENUE AND SEGMENT INFORMATION

An analysis of the Group's revenue for the year, for both continuing and discontinued operations, is as follows:

	2006 HK$'000	2005 HK$'000
Continuing operations		
Cold storage and logistics services	141,849	–
Manufacturing and trading of ice	3,895	–
Rental income – property investment	–	5,145
	145,744	5,145
Discontinued operations		
Revenue from construction work contracting and sales of concrete products (note 7a)	4,022	55,905
Rental income – sub-leasing	–	36,445
	4,022	92,350
	149,766	97,495

Business segments

For management purposes, the Group is organised into three operating divisions – cold storage and logistics services, manufacturing and trading of ice, and property investment. The provision of cold storage and logistics services, and manufacturing and trading of ice are new segments in the current year.

During the last year, the Group rented two cold storage warehouses in Hong Kong and sub-leased to Brilliant Cold Storage Management Limited ("BCSML"), the wholly-owned subsidiaries of Best Merchant Limited. During the current year, through the acquisition of Best Merchant Limited on 9th January, 2006 as mentioned in note 31, BCSML became the wholly-owned subsidiary of the Company and the sub-leasing business of the Group has been ceased since 9th January, 2006. Accordingly, the sub-leasing business segment no longer exists for the current year, and the comparative figures of sub-leasing business segment was re-classified from continuing operations as discontinued operations.

4. REVENUE AND SEGMENT INFORMATION (continued)

Business segments (continued)

Segment information about these businesses is presented below as primary segment information.

2006

	Continuing operations				Discontinued operations	
	Cold storage and logistics services	Manu-facturing and trading of ice	Property investment	Total	Construction work contracting and sales of concrete products	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	141,849	3,895	–	145,744	4,022	149,766
SEGMENT RESULT	7,313	(2,432)	(534)	4,347	(844)	3,503
Unallocated income						9,251
Unallocated expenses						(9,182)
Finance costs						(4,241)
Gain on disposal of interests in subsidiaries	–	–	–	–	879	879
Profit before tax						210
Tax credit						103
Profit for the year						313

4. REVENUE AND SEGMENT INFORMATION (continued)

Business segments (continued)

BALANCE SHEET

	Continuing operations				Discontinued operations	
	Cold storage and logistics services	Manu-facturing and trading of ice	Property investment	Total	Construction work contracting and sales of concrete products	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS						
Segment assets	134,084	1,984	17,111	153,179	–	153,179
Unallocated corporate assets						427,593
Consolidated total assets						580,772
LIABILITIES						
Segment liabilities	9,214	105	12	9,331	–	9,331
Unallocated corporate liabilities						167,040
Consolidated total liabilities						176,371

OTHER INFORMATION

	Continuing operations					Discontinued operations	
	Cold storage and logistics services	Manu-facturing and trading of ice	Property investment	Unallocated	Total	Construction work contracting and sales of concrete products	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Allowance for inventories	–	–	–	–	–	287	287
Capital expenditure	951	1,886	–	146	2,983	–	2,983
Depreciation and amortisation	4,739	404	–	220	5,363	60	5,423

4. REVENUE AND SEGMENT INFORMATION (continued)

Business segments (continued)

2005

	Continuing operations	Discontinued operations			
	Property investment HK$'000	Construction work contracting and sales of concrete products HK$'000	Sub-leasing HK$'000	Total HK$'000	Consolidated HK$'000
REVENUE	5,145	55,905	36,445	92,350	97,495
SEGMENT RESULT	5,067	6,800	(13,778)	(6,978)	(1,911)
Unallocated income					4,429
Unallocated expenses					(2,372)
Impairment loss arising from adjustment to fair value less costs to sell	–	(74,879)	–	(74,879)	(74,879)
Finance costs	(994)	–	–	–	(994)
Gain on disposal of interests in subsidiaries	5,289	–	–	–	5,289
Fair value gain on investment properties	52	–	–	–	52
Share of loss of an associate					(116)
Impairment loss in respect of interest in an associate					(1,430)
Loss before tax					(71,932)
Tax charge					(1,518)
Loss for the year					(73,450)

4. REVENUE AND SEGMENT INFORMATION (continued)

Business segments (continued)

BALANCE SHEET

	Continuing operations	Discontinued operations			
	Property investment HK$'000	Construction work contracting and sales of concrete products HK$'000	Sub-leasing HK$'000	Total HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	17,065	38,466	88,636	127,102	144,167
Unallocated corporate assets					196,117
Consolidated total assets					340,284
LIABILITIES					
Segment liabilities	74	13,294	10,632	23,926	24,000
Unallocated corporate liabilities					1,578
Consolidated total liabilities					25,578

4. REVENUE AND SEGMENT INFORMATION (continued)

Business segments (continued)

OTHER INFORMATION

	Continuing operations	Discontinued operations			
	Property investment HK$'000	Construction work contracting and sales of concrete products HK$'000	Sub-leasing HK$'000	Total HK$'000	Consolidated HK$'000
Allowance for inventories	–	45	–	45	45
Capital expenditure	16,948	100	800	900	17,848
Depreciation and amortisation	–	6,802	23	6,825	6,825
Gain on disposal of property, plant and equipment	–	(21)	–	(21)	(21)
Guarantee money forfeited	–	(106)	–	(106)	(106)
Impairment loss recognised in respect of trade and other receivables	–	521	–	521	521
Reversal of impairment loss recognised in respect of trade and other receivables	–	(542)	–	(542)	(542)
Write back of provision for staff commission	–	(203)	–	(203)	(203)

Geographical segments

More than 90% of the activities of the Group are based in Hong Kong and more than 90% of the Group's turnover and profit (loss) during the year are derived from customers located in Hong Kong.

More than 90% of the Group's assets are located in Hong Kong and more than 90% of additions to property, plant and equipment and investment properties during the year are incurred in Hong Kong.

5. OTHER INCOME

	Continuing operations		Discontinued operations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Gain on disposal of property, plant and equipment	**–**	–	**–**	21	**–**	21
Guarantee deposits forfeited	**–**	–	**–**	106	**–**	106
Interest income from						
– bank deposits	**5,406**	4,501	**10**	705	**5,416**	5,206
– loans receivable	**85**	309	**–**	274	**85**	583
Imputed interest income from loans to an investee	**3,760**	–	**–**	–	**3,760**	–
Write back of provision for staff commission	**–**	–	**–**	203	**–**	203
Sundry income	**473**	–	**5**	795	**478**	795
	9,724	4,810	**15**	2,104	**9,739**	6,914

6. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Interest on:						
Bank and other loans wholly repayable within five years	**–**	994	**–**	–	**–**	994
Obligation under finance lease	**26**	–	**–**	–	**26**	–
Imputed interest expense on loan from a minority shareholder of a subsidiary	**1,567**	–	**–**	–	**1,567**	–
Imputed interest expense on convertible bond	**1,840**	–	**–**	–	**1,840**	–
Imputed interest expense on promissory notes	**808**	–	**–**	–	**808**	–
	4,241	994	**–**	–	**4,241**	994

7. GAIN ON DISPOSAL OF INTERESTS IN SUBSIDIARIES

(a) Discontinued operations

On 17th February, 2006, the Group disposed of its entire equity interest in Daido Building Materials Limited, Daido Home International (B.V.I.) Limited, Daido Home International Limited and Ytong Hong Kong Limited, which was engaged in the business of construction work contracting and sales of concrete products, for a cash consideration of HK$25,000,000. The disposal was completed on 31st March, 2006.

The gain on disposal of interests in subsidiaries was HK$879,000. No tax charge or credit arose on the disposal.

The carrying amounts of the assets and liabilities of the disposed companies at date of disposal are disclosed in note 32(a).

(b) Continuing operations

On 30th December, 2004, the Company announced that a conditional sale and purchase agreement was entered into among one of its indirectly wholly-owned subsidiary, the purchaser and the Company on 13th December, 2004 in respect of the disposal of entire issued capital in Best Goal International Limited and Double Worth Profits Limited, both are indirectly wholly-owned subsidiaries of the Company, which carried on property investment businesses, for a cash consideration of HK$650,000,000. At the special general meeting held on 7th February, 2005, an ordinary resolution proposed to approve the disposal and the new lease arrangement was duly passed by the shareholders. On 15th February, 2005, the board of directors announced that all conditions under the sale and purchase agreement were satisfied and the completion of the disposal took place, and the new lease arrangement executed on the same date.

The gain on disposal of interests in subsidiaries was HK$5,289,000. No tax charge or credit arose on the disposal.

The carrying amounts of the assets and liabilities of the disposed companies at date of disposal are disclosed in note 32(b).

8. IMPAIRMENT LOSS IN RESPECT OF INTEREST IN AN ASSOCIATE

Continuing operations

During the year ended 31st December, 2005, based on the Group's assessment of the carrying amount of the interest in the associate by considering the continuous operating loss since recent years, the directors considered that an impairment loss of HK$1,430,000 in respect of the goodwill to be recognised.

9. TAX (CREDIT) CHARGE

	Continuing operations		Discontinued operations		Consolidated	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
The (credit) charge comprises:						
Hong Kong Profits Tax						
Current year	**(304)**	342	**-**	–	**(304)**	342
Underprovision in respect of prior years	**38**	–	**-**	–	**38**	–
	(266)	342	**-**	–	**(266)**	342
Deferred tax (note 30)						
Current year	**163**	322	**-**	854	**163**	1,176
Tax (credit) charge	**(103)**	664	**-**	854	**(103)**	1,518

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for both years.

The tax (credit) charge for the year can be reconciled to the profit (loss) before tax per the consolidated income statement as follows:

	2006 HK$'000	2005 HK$'000
Profit (loss) before tax	**210**	(71,932)
Tax at the Hong Kong Profits Tax rate of 17.5%	**37**	(12,588)
Tax effect of expenses not deductible for tax purpose	**866**	13,269
Tax effect of income not taxable for tax purpose	**(1,821)**	(3,596)
Utilisation of tax losses previously not recognised	**-**	(835)
Tax effect of deductible temporary differences not recognised	**-**	260
Tax effect of tax losses not recognised	**739**	5,124
Underprovision in respect of prior years	**38**	–
Others	**38**	(116)
Tax (credit) charge for the year	**(103)**	1,518

10. PROFIT (LOSS) FOR THE YEAR

	Continuing operations		Discontinued operations		Consolidated	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
Profit (loss) for the year has been arrived at after charging (crediting):						
Allowance for inventories	**–**	–	**287**	45	**287**	45
Amortisation of prepaid lease payments	**–**	–	**60**	605	**60**	605
Auditors' remuneration	**768**	415	**76**	305	**844**	720
Cost of inventories sold	**–**	–	**3,488**	39,501	**3,488**	39,501
Depreciation for property, plant and equipment						
Owned assets	**5,255**	5	**–**	6,197	**5,255**	6,202
Assets held under finance leases	**108**	18	**–**	–	**108**	18
Exchange loss, net	**–**	–	**12**	10	**12**	10
Loss on disposal of property, plant and equipment	**18**	–	**–**	–	**18**	–
Minimum lease payments for operating leases in respect of rented premises	**57,514**	50,051	**–**	685	**57,514**	50,736
Direct expenses from investment properties not generating rental income	**514**	–	**–**	–	**514**	–
Direct expense from investment properties that generated rental income	**–**	136	**–**	–	**–**	136
Staff costs	**36,960**	565	**667**	15,858	**37,627**	16,423
Amount capitalised in contract work	**–**	–	**–**	(4,979)	**–**	(4,979)
	36,960	565	**667**	10,879	**37,627**	11,444

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to the directors were as follows:

	Fung Wa Ko HK$'000	Tang Tsz Man, Philip HK$'000	To Shu Fai HK$'000	Leung Chi Hung HK$'000	Tse Yuen Ming, Valent HK$'000	Leung Tsz Fung David Ferreira HK$'000	2006 HK$'000
Fees	–	–	–	80	80	80	240
Other emoluments							
Salaries and other benefits	1,120	120	–	–	–	–	1,240
Contributions to retirement benefits scheme	34	2	–	–	–	–	36
Total emoluments	1,154	122	–	80	80	80	1,516

	Fung Wa Ko HK$'000	Tang Tsz Man, Philip HK$'000	To Shu Fai HK$'000	Leung Chi Hung HK$'000	Tse Yuen Ming, Valent HK$'000	Leung Tsz Fung David Ferreira HK$'000	Kwok Shun On HK$'000	2005 HK$'000
Fees	–	–	–	80	80	40	40	240
Other emoluments								
Salaries and other benefits	920	120	200	–	–	–	–	1,240
Contributions to retirement benefits scheme	35	2	–	–	–	–	–	37
Total emoluments	955	122	200	80	80	40	40	1,517

No directors waived any emoluments in the year ended 31st December, 2006 and 2005.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments

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

	2006 HK$'000	2005 HK$'000
Salaries and other benefits	**2,457**	2,389
Contribution to retirement benefits scheme	**74**	126
	2,531	2,515

Their emoluments were within the following band:

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

12. DIVIDEND

No interim dividend is paid during the year (2005: nil).

The directors do not recommend the payment of a dividend for the year.

13. EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations

The calculation of the basic earnings (loss) per share based on the following data:

	2006 HK$'000	2005 HK$'000
Earnings (loss)		
Earnings (loss) for the purposes of basic earnings (loss) per share	**313**	(73,450)
	'000	'000
Number of shares		
Number of ordinary shares for the purpose of basic earnings (loss) per share	**3,289,315**	3,000,000

From continuing operations

The calculation of the basic earnings per share from continuing operations is based on the following data:

	2006 HK$'000	2005 HK$'000
Earnings (loss)		
Earnings (loss) for the year	**313**	(73,450)
Less: profit (loss) for the year from discontinued operations	**35**	(82,482)
Earnings for the purposes of basic earnings per share from continuing operations	**278**	9,032

The denominators used are the same as those detailed above for basic earnings (loss) per share.

13. EARNINGS (LOSS) PER SHARE (continued)

From discontinued operations

Basic earning per share for discontinued operations is insignificant (2005: basic loss per share of HK 2.75 cents) per share, based on the earning for the year from discontinued operations of HK$35,000 (2005: loss of HK$82,482,000). The denominators used are the same as those detailed above for basic earnings (loss) per share.

The effect of convertible bonds is excluded from the calculation of diluted earnings per share for the year since the effect will be anti-dilutive.

14. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1st January, 2005	609,000
Disposal upon disposal of subsidiaries	(609,000)
Addition	16,948
Gain on change in fair value	52
At 31st December, 2005 and 31st December, 2006	17,000

The fair value of the Group's investment properties at 31st December, 2006 and 31st December, 2005 have been arrived at on the basis of valuations carried out on the respective dates by Greater China Appraisal Limited and RHL Appraisal Ltd. respectively, both are independent firm of professional property valuers not connected with the Group. Both Greater China Appraisal Limited and RHL Appraisal Ltd. are members of the Hong Kong Institute of Surveyors, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

The investment properties of the Group are situated in Hong Kong and held under medium-term leases. The investment property as at 31st December, 2006 are vacant.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Industrial buildings HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Plant and machinery and equipment HK$'000	Total HK$'000
COST						
At 1st January, 2005	–	71,111	1,117	452	132,591	205,271
Additions	–	–	180	574	146	900
Transferred to assets classified as held for sale	–	(71,111)	(956)	(365)	(132,504)	(204,936)
Disposals	–	–	(162)	(123)	(148)	(433)
At 31st December, 2005	–	–	179	538	85	802
Additions	109	–	472	415	1,987	2,983
Acquisition of subsidiaries	11,672	–	645	3,356	7,871	23,544
Disposals	–	–	–	(119)	(38)	(157)
At 31st December, 2006	11,781	–	1,296	4,190	9,905	27,172
DEPRECIATION AND IMPAIRMENT						
At 1st January, 2005	–	31,124	1,091	434	106,824	139,473
Provided for the year	–	3,018	8	30	3,164	6,220
Transferred to assets classified as held for sale	–	(34,142)	(933)	(322)	(109,837)	(145,234)
Eliminated on disposals	–	–	(162)	(123)	(148)	(433)
At 31st December, 2005	–	–	4	19	3	26
Provided for the year	1,550	–	276	1,046	2,491	5,363
Eliminated on disposals	–	–	–	(52)	(27)	(79)
At 31st December, 2006	1,550	–	280	1,013	2,467	5,310
CARRYING VALUES						
At 31st December, 2006	10,231	–	1,016	3,177	7,438	21,862
At 31st December, 2005	–	–	175	519	82	776

15. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment are depreciated on a straight-line method at the following rates per annum:

Leasehold improvements	Over the shorter of terms of the leases and 25%
Industrial buildings	Over the shorter of the terms of the leases and 20 to 25 years
Furniture and fixtures	10% – $33^1/_3$%
Motor vehicles	20% – $33^1/_3$%
Plant and machinery and equipment	5% – 50%

The industrial buildings of the Group were situated in Hong Kong and were held under medium-term leases.

The carrying value of motor vehicles includes an amount of HK$418,000 (2005: HK$520,000) in respect of asset held under a finance lease.

16. GOODWILL

	HK$'000
COST	
At 1st January, 2005	4,534
Eliminated on disposal of subsidiaries	(4,534)
At 31st December, 2005	–
Arising from acquisition of subsidiaries	14,913
At 31st December, 2006	14,913
CARRYING VALUES	
At 31st December, 2006	14,913
At 31st December, 2005	–

16. GOODWILL (continued)

The Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill arising in 2006 has been allocated to one cash generating unit (CGU), representing the cold storage and logistics services.

During the year ended 31st December, 2006, management of the Group determines that there is no impairment of the CGU containing goodwill.

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 13-year period, and discount rate of 10%. The cash flows beyond the 5-year period are extrapolated using a zero growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit CGU's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of the CGU.

17. INTEREST IN AN ASSOCIATE

	2006 HK$'000	2005 HK$'000
Cost of investment in an associate	**2,000**	2,000
Share of post-acquisition losses, net of dividends received	**(1,827)**	(1,827)
Less: Impairment	**(173)**	(173)
	–	–

The movement of goodwill which was included in the cost of investment in an associate is set out below:

	2006 HK$'000	2005 HK$'000
Goodwill on acquisition of an associate	**1,257**	1,257
Less: Impairment	**(1,257)**	(1,257)
	–	–

17. INTEREST IN AN ASSOCIATE (continued)

As at 31st December, 2006, the Group has interest in the following associate:

Name	Form of business structure	Place of incorporation and operation	Class of shares held	Proportion of nominal value of issue capital held indirectly by the Company	Principal activities
iNeTalk.com Limited	Incorporated	Hong Kong	Ordinary	16% (note)	Development and deployment of high quality internet-based communication services

Note: This company has been accounted for as an associate as, in the opinion of the directors, the Group is in a position to exercise significant influence over the management of this company as one third of the board of directors of this company is the representative of the Company.

Summarised unaudited financial information in respect of the Group's associate is set out below:

	2006 HK$'000	2005 HK$'000
Total assets	**2,539**	3,478
Total liabilities	**(2,501)**	(2,483)
Net assets	**38**	995
Group's share of associate's net assets	**–**	–
Revenue	**16**	7,230
Loss for the year	**(393)**	(725)
Group's share of associate's net loss	**–**	(116)

17. INTEREST IN AN ASSOCIATE (continued)

The Group has discontinued recognition of its share of loss of its associate. The amount of unrecognised share of loss, extracted from the management accounts of the associate, both for the year and cumulatively, are as follows:

	2006 HK$'000	2005 HK$'000
Unrecognised share of loss of associate for the year	**(63)**	–
Accumulated unrecognised share of loss of associate	**(63)**	–

18. AVAILABLE-FOR-SALE INVESTMENTS

	2006 HK$'000	2005 HK$'000
Unlisted shares, at cost	**149,120**	–

As discussed in note 31, the Group has, through an acquisition of subsidiaries, acquired certain assets including the above available-for-sale investments. The above unlisted shares represent the Group's effective interest of 30% of the issued ordinary shares of a private entity incorporated in the British Virgin Islands. The private entity is Richbo Enterprises Limited, a company principally engages in investment holding. Richbo Enterprises Limited holds 50% interest in Hoover International Limited, which in turn holds 80% interest in a group that operates a hotel resort complex in Macau, the PRC. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

In the opinion of the directors of the Company, the Group does not have any significant influence nor any power to exercise significant influence over the management of the investee and accordingly, the investments are not classified as associate.

19. LOANS TO AN INVESTEE

The loans are unsecured, interest-free and will not be demanded for repayment within twelve months from the balance sheet date, and accordingly, the amounts are shown as non-current.

The interest-free loans are initially measured at fair value and subsequently measured at amortised cost determined using the effective interest method. The effective interest rate of the loans is 8.5% per annum.

20. INTERESTS IN JOINTLY CONTROLLED OPERATION

During the year, the Group has entered into a joint venture agreement in the form of a jointly controlled operation to jointly provide logistics services. The Group has a 50% interest in the joint venture.

At 31 December 2006, the aggregate amount of assets, liabilities, income and profits recognised in the financial statements in relation to interests in jointly controlled operation are as follows:

	2006 **HK$'000**	2005 HK$'000
Assets	**256**	–
Liabilities	**(115)**	–
Income	**727**	–
Expenses	**(556)**	–

21. TRADE AND OTHER RECEIVABLES

The Group allows a credit period ranging from 30 to 60 days to its customers in respect of provision of cold storage and logistics services, and manufacturing and trading of ice.

Included in trade and other receivables are trade receivables with an aged analysis as follows:

	2006 HK$'000	2005 HK$'000
0 – 30 days	11,851	–
31 – 60 days	8,915	–
61 – 90 days	3,544	–
91 – 120 days	25	–
More than 120 days	466	–
	24,801	–

22. OTHER FINANCIAL ASSETS

Other financial assets include pledged deposits and bank balances and cash. Bank balances and cash comprise short term bank deposits at average prevailing market interest rates of 3.86% (2005: 2.89%) per annum. The pledged deposits bears interest at average prevailing market interest rate of 4.05% per annum.

23. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables with an aged analysis as follows:

	2006 HK$'000	2005 HK$'000
0 – 30 days	2,400	–
31 – 60 days	744	–
61 – 90 days	218	–
91 – 120 days	36	–
	3,398	–

24. OBLIGATIONS UNDER A FINANCE LEASE

	Minimum lease payment		Present value of minimum lease payment	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
THE GROUP				
Within one year	**153**	153	**135**	127
In the second to fifth year inclusive	**242**	395	**231**	366
	395	548	**366**	493
Less: future finance charges	**(29)**	(55)		
Present value of lease obligations	**366**	493		
Less: Amount due for settlement within one year shown under current liabilities			**(135)**	(127)
Amount due for settlement after one year			**231**	366

The obligations under a finance lease represents the finance lease for a motor vehicle. The term of the lease is for four years at a fixed rate of 2.5% per annum and is secured by the lessor's charge over the leased asset.

25. PROMISSORY NOTES

	2006 HK$'000	2005 HK$'000
The promissory notes are repayable as follows:		
On demand or within one year	**2,493**	–
In the second year	**2,675**	–
In the third to fifth year inclusive	**9,292**	–
Over five years	**20,722**	–
	35,182	–
Less: Amounts due for settlement within one year shown under current liabilities	**(2,493)**	–
Amounts due for settlement after one year	**32,689**	–

The fair value of promissory notes at 31st December, 2006 approximates to its carrying amount.

The terms of the promissory notes are summarised below:

Principal amount:	Ten promissory notes with a principal amount of HK$5 million each.
Interest:	Zero-coupon
Effective interest rate:	7.5% per annum
Maturity:	Repayable by ten equal installments of HK$5 million each on the consecutive anniversary of the date of issue of the promissory notes.
Early repayment:	The Company could, at its option, repay the promissory notes in whole or in part in multiples of HK$1 million by giving a prior ten business days' written notice to the vendor, commencing on the date three months after the completion date of acquisition (as discussed in note 31) and up to the date immediately prior to the maturity date. There will not be any premium or discount to the payment obligations under the promissory notes for any early repayment.
Assignment:	With the prior notification to the Company, the promissory notes may be transferred or assigned by the holder(s) of the promissory notes. The promissory notes are not transferable to any connected persons of the Company.

26. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of shares '000	Amount HK$'000	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.01 each				
At 1st January, 2005 and 31st December, 2005	5,000,000	50,000	3,000,000	30,000
Placement of new shares	–	–	480,000	4,800
At 31st December, 2006	5,000,000	50,000	3,480,000	34,800

The placement of shares was completed on 26th May, 2006 and 480,000,000 ordinary shares of HK$0.01 each in the Company were issued at a price of HK$0.116 per share. All the new shares issued rank pari passu in all respects with the then existing shares.

27. SHARE OPTION SCHEMES

Pursuant to the Share Option Scheme (the "Old Scheme") of the Company adopted on 29th August, 2000 which became effective on 10th November, 2000 for the primary purpose of providing incentive to directors and eligible employees, and which will expire ten years after the date of adoption, the directors of the Company may grant options to executive directors or full time employees of the Group to subscribe for shares in the Company at a price not less than 80% of the average of the closing prices of the Company's shares on the five trading days immediately preceding the offer of the options or the nominal value of the shares, whichever is the greater. The maximum number of shares in respect of which options may be granted under the Old Scheme may not exceed 10% of the issued share capital of the Company from time to time excluding any shares issued upon the exercise of options granted pursuant to the Old Scheme. No employee may be granted options which would enable him or her to subscribe for an aggregate of more than 25% of the aggregate number of shares under the Old Scheme. Upon acceptance of option, the grantee shall pay HK$1 to the Company as consideration.

The directors noted that an announcement was issued by the Stock Exchange on 23rd August, 2001 to introduce certain amendments to Chapter 17 (Equity Securities – Share Option Schemes) of The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and that such amendments became effective on 1st September, 2001.

27. SHARE OPTION SCHEMES (continued)

Prior to 1st September, 2001, the exercise price is determined by the directors of the Company at a price not less than 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of offer of the options or the nominal value of the shares, whichever is the higher. With effect from 1st September, 2001, the exercise price is determined by the directors of the Company, and will not be less than the higher of the closing price of the Company's shares on the date of grant, and the average closing prices of the shares for the five business days immediately preceding the date of grant.

As the Old Scheme no longer complies with the amended rules in the Listing Rules governing share schemes, no further option can be granted under the Old Scheme from 1st September, 2001 unless the grant complies with the amended Chapter 17 of the Listing Rules. Nevertheless, options previously granted under the Scheme will continue to be exercisable in accordance with the Old Scheme.

During the year, the Company has terminated the Old Scheme and adopted a new share option scheme ("New Scheme") for eligible employees and non-executive directors of the Group. Details of the New Scheme were set out in the circular of the Company dated 23rd December, 2005. The resolutions of terminating the Old Scheme and the adoption of New Scheme were approved by the shareholders in the special general meeting of the Company on 9th January, 2006.

No share options have been granted since the adoption of the New Scheme.

28. AMOUNT DUE TO A MINORITY SHAREHOLDER OF A SUBSIDIARY

The amount is unsecured, interest-free and will not be demanded for repayment within twelve months from the balance sheet date, and accordingly, the amount is shown as non-current.

The interest-free balance is initially measured at fair value and subsequently measured at amortised cost determined using the effective interest method. The effective interest rate of the amount is 8.5% per annum.

29. CONVERTIBLE BONDS

The Company issued ten zero-rate convertible bonds at the aggregate principal of HK$104.4 million during the year. The convertible bonds are denominated in Hong Kong dollars.

The convertible bonds contain a fixed term of five years from the date of issue. Unless previously redeemed, converted or cancelled as provided in the agreement pursuant to which the convertible bonds was issued, the Company shall redeem, subject to the prior full repayment of the sum due from the promissory notes as mentioned in note 25, the outstanding principal amount of the convertible bonds in whole or in part at redemption premium of 5% of the amount to be redeemed by giving a prior ten business days' written notice to the convertible bondholder(s), at any time commencing from the issue date of the bonds and prior to the maturity date. The conversion price is HK$0.116 per share and subject to anti-dilutive adjustments, and the convertible bonds do not confer any voting rights at any meetings of the Company. Provided that the conversion does not trigger off a mandatory offer under rule 26 of The Codes on Takeovers and Mergers in Hong Kong on the part of the bondholder(s), the bondholder(s) may convert the whole or part (in multiples of HK$1 million) of the principal amount of the convertible bonds into shares at the conversion price from the issue date up to the maturity date.

The convertible bonds contain three components, liability, equity element and redemption option. The equity element is presented in equity heading "convertible bonds – equity reserve". The effective interest rate of the liability component is 8.5% per annum.

The fair value of the redemption option of the convertible bonds was considered as insignificant at the date of issue and at the balance sheet date.

The movement of the liability component of the convertible bonds for the year is set out below:

	2006 **HK$'000**	2005 HK$'000
Carrying amount at the date of issue	**69,540**	–
Interest charge	**1,840**	–
Carrying amount at the end of the year	**71,380**	–

The fair value of the liability component of the convertible bonds at 31st December, 2006, determined based on the present value of the estimated future cash outflows discounted at the prevailing market rate for an equivalent non-convertible bond at the balance sheet date, was HK$71,930,000.

30. DEFERRED TAX

The following are the major deferred tax assets (liabilities) recognised by the Group and movements thereon during the current and prior years.

	Tax losses	Accelerated tax depreciation	Total
	HK$'000	HK$'000	HK$'000
At 1st January, 2005	3,890	(6,448)	(2,558)
Credit for the year	(1,386)	210	(1,176)
Eliminated on disposal of subsidiaries	(2,346)	6,168	3,822
Amount transferred to liabilities associated with assets classified as held for sale	(88)	–	(88)
At 31st December, 2005	70	(70)	–
Acquisition of subsidiaries	27	(1,137)	(1,110)
Credit (charge) for the year	6	(169)	(163)
At 31st December, 2006	103	(1,376)	(1,273)

At the balance sheet date, the Group has unused tax losses of HK$26,825,000 (2005: HK$154,002,000) available for offset against future profits. A deferred tax has been recognised in respect of tax losses of HK$589,000 (2005: HK$905,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$26,236,000 (2005: HK$153,097,000) due to the unpredictability of future profit streams.

31. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of business

On 17th October, 2005, Newton Luck Limited ("Newton"), a wholly-owned subsidiary of the Company, entered into an agreement with Choice Master Investments Limited ("Choice Master"), an independent third party, and Mr. Yeung Ming Kwong, Tony, the sole and beneficial shareholder and director of Choice Master pursuant to which Newton conditionally agreed to acquire and Choice Master conditionally agreed to sell to Newton the entire issued share capital of Best Merchant Limited at a cash consideration of HK$56 million. The acquisition was completed on 9th January, 2006.

The group headed by Best Merchant Limited carries out the businesses of provision of cold storage and logistics services, and manufacturing and trading of ice.

31. ACQUISITION OF SUBSIDIARIES (continued)

(a) Acquisition of business (continued)

The carrying amounts of the net assets, which approximate to their fair values, acquired in the transaction, and the goodwill arising are as follows:

	HK$'000
Net assets acquired:	
Property, plant and equipment	23,544
Trade and other receivables	39,267
Bank balances and cash	1,637
Trade and other payables	(12,939)
Tax payable	(7,228)
Deferred tax liabilities	(1,110)
	43,171
Goodwill	14,913
Total consideration	58,084
Satisfied by:	
Cash	56,000
Cash paid for expenses related to acquisition	2,084
	58,084
Net cash outflow arising on acquisition:	
Cash consideration paid	(56,000)
Cash paid for expenses related to acquisition	(2,084)
Bank balances and cash acquired	1,637
	(56,447)
Deposit paid for acquisition of subsidiaries in last year	10,000
	(46,447)

The goodwill arising on the acquisition of Best Merchant Limited is attributable to the anticipated profitability of the businesses of provision of cold storage and logistics services.

31. ACQUISITION OF SUBSIDIARIES (continued)

(a) Acquisition of business (continued)

Best Merchant Limited contributed approximately of HK$145.7 million and HK$5.1 million to the Group's revenue and profit after tax, respectively, for the period between the date of acquisition and 31st December, 2006.

(b) Acquisition of assets through acquisition of subsidiaries

On 29th May, 2006, the Group entered into agreement to acquire from an independent third party ("Vendor") the entire equity interest in Jumbonet International Profits Limited ("Jumbonet").

Jumbonet, through Brilliant Gold International Limited ("Brilliant Gold", 75% owned as to Jumbonet and 25% owned as to the Vendor) and Brilliant Gold's 40% owned investee, Richbo Enterprises Limited (the "Investee" or "Available-For-Sale Investments"), holds 50% interest in Hoover International Limited, which in turn holds 80% interest in a group that operates a hotel resort complex in Macau, the PRC.

The total consideration for the acquisition is HK$336 million, which is the aggregate consideration for (i) equity interest in Jumbonet; and (ii) a shareholder loan owed by Jumbonet to the Vendor.

The acquisition has been accounted for as purchase of assets as the Group acquired the Available-For-Sales Investments at a cost of HK$149,120,000 (see note 18) and a shareholder's loan extended to Richbo Enterprises Limited at HK$228,719,000 (the "Loans to an Investee", see note 19). Upon the completion of the acquisition, the Group also assumed the obligation to repay to the Vendor its portion of shareholder's loan to Brilliant Gold amounting to HK$55,297,000 (shown as "amount due to a minority shareholder of a subsidiary", see note 28). Details of the acquisition were set out in the circular of the Company dated 21st August, 2006. The acquisition was approved by the shareholders during the special general meeting of the Company being convened on 4th September, 2006.

The consideration for the above acquisition was satisfied by cash of HK$183,766,000 (including cash consideration of HK$181,600,000 and expenses related to the acquisition of HK$2,166,000), promissory notes with principal amount of HK$50,000,000 (fair value at the date of acquisition is HK$34,374,000) and convertible bonds with principal amount of HK$104,400,000.

32. DISPOSAL OF SUBSIDIARIES

(a) Discontinued operations

Details of the disposal are set out in note 7(a).

The major classes of assets and liabilities of construction work contracting and sales of concrete products at the date of disposal and 31st December, 2005, which were classsified as held for sale and disposed in March 2006, were as follows:

	2006 **HK$000**	2005 HK$'000
Property, plant and equipment	**6,919**	6,919
Long-term receivables	**6,152**	5,636
Prepaid lease payments	**2,836**	2,896
Inventories	**5,973**	5,723
Trade and other receivables	**6,397**	8,245
Rental deposits paid	**–**	114
Loans receivable	**–**	3,000
Amounts due from customers for contract work	**3**	–
Deferred tax assets	**88**	88
Bank balances and cash	**4,868**	5,845
Assets classified as held for sale	**33,236**	38,466
Amounts due to customers for contract work	**(4,072)**	(4,017)
Trade and other payables	**(5,424)**	(9,190)
Guarantee money received	**(87)**	(87)
Liabilities associated with assets classified as held for sale	**(9,583)**	(13,294)
Net assets disposed of	**23,653**	
Cost incurred in relation to the disposal	**468**	
Gain on disposal of interests in subsidiaries	**879**	
Total consideration	**25,000**	
Net cash inflow arising on disposal:		
Cash consideration received	**25,000**	
Cost incurred in relation to the disposal	**(468)**	
Bank balances and cash disposed of	**(4,868)**	
	19,664	

32. DISPOSAL OF SUBSIDIARIES (continued)

(a) Discontinued operations (continued)

The subsidiaries disposed of during the year has constituted a cash outflow of HK$3,307,000 in the Group's operating activities, cash inflow of HK$3,005,000 in the investing activities and did not have cash flow in respect of financing activities.

The disposed subsidiaries had contributed HK$4,022,000 to the Group's revenue and no significant contributions to the Group's profit for the year.

(b) Continuing operations

Details of the disposal are set out in note 7(b).

The net assets of the subsidiaries at the time of disposal were as follows:

	2005 HK$'000
Net assets disposed of:	
Investment properties	609,000
Goodwill	4,534
Long-term receivables	13,406
Trade and other receivables	105
Tax recoverable	145
Bank balances and cash	3,215
Trade and other payables	(48)
Amounts due to the disposed subsidiaries	(103,392)
Deferred tax liabilities	(3,822)
Net assets disposed of	523,143
Gain on disposal of interests in subsidiaries	5,289
Net consideration	528,432

32. DISPOSAL OF SUBSIDIARIES (continued)

(b) Continuing operations (continued)

	2005
	HK$'000
Satisfied by:	
Net cash consideration	528,432
Net cash inflow arising on disposal:	
Net cash consideration	528,432
Bank balances and cash disposed of	(3,215)
	525,217

The subsidiaries disposed of during the year used HK$191,000 in the Group's operating activities, generated HK$156,000 from the investing activities and used HK$740,000 in the financing activities.

The subsidiaries disposed of during 2005 contributed HK$5,145,000 to the Group's turnover and a net profit of HK$3,131,000 to the Group for that year.

33. MAJOR NON-CASH TRANSACTIONS

During the year, the acquisition of 12% indirect interest in Grand Waldo complex through the issue of convertible bonds and promissory notes was disclosed in note 31.

In prior year, the Group entered into a finance lease in respect of the acquisition of property, plant and equipment with a total capital value at the inception of the lease of HK$538,000.

34. PLEDGE OF ASSETS

As at 31st December, 2006, banking facilities of approximately HK$3,300,000 (2005: nil) of the Group were secured by fixed and floating charges on the assets of the Group.

As at 31st December, 2006, bank deposits of HK$56,875,000 (2005: nil) are pledged to a bank which provides bank guarantee in favour of two landlords for a sum equivalent to 12 months rent payable by the Group under tenancy agreements.

35. CONTINGENT LIABILITIES

As at 15th February, 2005, the Group had disposed certain subsidiaries, namely Best Goal International Limited, Double Worth Profits Limited, Brilliant Gain Investments Limited and Ultimate Profits Limited, and provided a deed of indemnity to the purchaser in the amount of approximately HK$5 million in respect of potential tax claimed by tax authority of these subsidiaries. The directors are of the opinion that the potential tax claims was remote and hence, will not give rise to any material adverse impact on the financial position of the Group. No provision has been made in the consolidated financial statements of the Group.

36. CAPITAL COMMITMENTS

At 31st December, 2005, the Group entered into an agreement to acquire Best Merchant Limited for a total consideration of HK$56 million and a deposit of HK$10 million had been paid during 2005. The said acquisition was completed during the year (See note 31).

37. OPERATING LEASE ARRANGEMENTS

The Group as lessee

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

	2006 **HK$'000**	2005 HK$'000
Within one year	**57,408**	57,514
In the second to fifth year inclusive	**227,501**	228,033
Over five years	**234,610**	291,486
	519,519	577,033

At 31st December, 2006, leases are negotiated for terms of fourteen years and can be terminated by providing one year notice after the first ten years of tenancy. Monthly rentals are fixed up to February 2008 and rentals for the remaining lease terms will be determined in every three-year period based on market conditions.

37. OPERATING LEASE ARRANGEMENTS (continued)

The Group as lessor

At the balance sheet date, the Group had contracted with tenants in respect of sub-leasing of cold storage warehouses for the following future minimum lease payments:

	2006 **HK$'000**	2005 HK$'000
Within one year	–	56,875
In the second to fifth year inclusive	–	227,501
After five years	–	291,486
	–	575,862

At 31st December, 2005, rental income was received from BCSML, the Group's then customer which operated cold storage warehouses. Leases were negotiated for terms of fourteen years and could be terminated by providing one year notice after the first ten years of tenancy. Monthly rental were fixed and recognised over the terms of the leases. During the current year, through the acquisition of Best Merchant Limited on 9th January, 2006, BCSML became the wholly-owned subsidiary of the Company and the sub-leasing business of the Group has been ceased.

38. RETIREMENT BENEFITS SCHEMES

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The original ORSO Scheme operated by the Group were cancelled accordingly. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were switched to the MPF Scheme, whereas all new employees joining the Group on or after 1st December, 2000 are required to join the MPF Scheme.

In addition to the mandatory contribution of 5% of the payroll costs, the Group voluntary contributes 1% to 5%, depends on the year of service of the employee, to the MPF Scheme.

Where there are employees who leave the ORSO Scheme or MPF Scheme prior to vesting fully in the contributions, the market value of the unvested portion will be refunded to the Group.

The total cost charged to the consolidated income statement of HK$2,175,000 (2005: HK$791,000) represents contributions payable to the MPF Scheme, after forfeited contributions utilised in the ORSO Scheme and MPF Scheme of nil (2005: HK$25,000), by the Group during the year.

39. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

	2006 **HK$'000**	2005 HK$'000
Office rent paid to a related company (note)	**–**	627

Note: The related company is beneficially held by Mr. To Shu Fai with significant interest, a former director of the Company.

Compensation of key management

The key management of the Group comprises all directors and the four highest paid employees, details of their remuneration are disclosed in note 11. The remuneration of directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

40. KEY SOURCE OF ESTIMATION UNCERTAINTY

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with its accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

41. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, loans to an investee, pledged bank deposits, trade and other receivables, bank balances, trade and other payables, promissory notes and convertible bonds. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at 31st December, 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet.

The Company has no significant concentration of credit risk as the Company has number of trade customers. The Group manages its credit risk by closely monitoring the granting of credit. The Group also reviews the recoverable amount of each individual trade receivable at each balance sheet date to ensure that adequate allowances are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

In view of the significant amount of loan to investee, the Group reviews the recoverable amount of the loans to an investee at each balance sheet date by obtaining the financial information of the investee to ensure that adequate allowances are made for irrecoverable amounts.

The credit risk on liquid funds is limited because majority of the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

The Group is exposed to minimal liquidity risk as the Group closely monitors its cash flow position.

Market risk

Currency risk

The Group's functional and presentation currency has been in Hong Kong dollars since the operations are mainly in Hong Kong dollars and the operating expenses incurred are denominated in Hong Kong dollars. Accordingly, the directors consider the foreign exchange risk is not significant.

41. FINANCIAL INSTRUMENTS (continued)

(a) Financial risk management objectives and policies (continued)

Cash flow interest rate risk

The Group's cash flow interest rate risk which relates primarily to the bank deposits with floating interest rate.

Management closely monitors cash flow interest rate risk and will consider hedging significant cash flow interest rate exposure should the need arise.

Fair value interest rate risk

The Group's fair value interest rate risk relates primarily to zero coupon rate promissory notes and convertible bonds and fixed rate obligations under a finance lease. The management will consider hedging significant fair value interest rate explosure should the need arise.

(b) Fair value

The fair value of financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

Except as indicated in the relevant notes in the financial statements, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate to their fair values.

42. COMPANY'S BALANCE SHEET

	2006 HK$'000	2005 HK$'000
Non-current asset	**123,239**	123,239
Current assets	**191,151**	141
Current liabilities	**(4,112)**	(2,156)
Net current assets (liabilities)	**187,039**	(2,015)
	310,278	121,224
Capital and reserves	**206,209**	121,244
Non-current liabilities	**104,069**	–
	310,278	121,244

42. COMPANY'S BALANCE SHEET (continued)

(i) Particulars of the principal subsidiaries at 31st December, 2006 are as follows:

Name	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company Directly	Indirectly	Principal activities
Best Shining Limited	Hong Kong	HK$1 Ordinary share	–	100%	Property investment
Brilliant Cold Storage Management Limited	Hong Kong	HK$2 Ordinary shares	–	100%	Provision of cold storage services and manufacturing and trading of ice
Brilliant Gold International Limited	British Virgin Islands	US$1,000 Ordinary share	–	75%	Investment holding
Brilliant Top In Logistics Limited	Hong Kong	HK$2 Ordinary shares	–	100%	Provision of logistics services
Daido (BVI) Limited	British Virgin Islands	US$2 Ordinary shares	100%	–	Investment holding
Diamond Sparkling Limited	Hong Kong	HK$10 Ordinary shares	–	100%	Sub-leasing of investment properties
Grand Decade Enterprises Limited	British Virgin Islands	US$1 Ordinary share	–	100%	Investment holding
Jumbonet International Profits Limited	British Virgin Islands	US$100 Ordinary share	–	100%	Investment holding
Newton Luck Limited	British Virgin Islands	US$1 Ordinary share	–	100%	Investment holding

None of the subsidiaries had any debt security outstanding at the end of the year or at any time during the year.

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excess length.

42. COMPANY'S BALANCE SHEET (continued)

(ii) Reserves

	Contributed surplus HK$'000	Share premium HK$'000	Retained profits HK$'000	Convertible bond equity reserve HK$'000	Total HK$'000
At 31st December, 2006	84,239	49,148	3,162	34,860	171,409

Notes:

The contributed surplus of the Company represents the difference between the underlying net assets of the subsidiaries acquired by the Company as at the date of the group reorganisation and the nominal amount of the Company's share capital issued as consideration for the acquisition.

Under the Companies Act 1981 of Bermuda (as amended), 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 account.

In the opinion of the directors, the Company's reserves available for distribution to shareholders are as follows:

	2006 HK$'000	2005 HK$'000
Contributed surplus	**84,239**	84,239
Retained profits	**3,162**	6,986
	87,401	91,225