

For the nine months ended 31st December, 2004

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Best Chance Holdings Limited, a company which is incorporated in the British Virgin Islands with limited liability.

The Company is an investment holding company. The activities of its principal subsidiaries and associates are set out in notes 15 and 16 respectively.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements for the current period cover the nine months ended 31st December, 2004. The corresponding amounts shown for the consolidated income statement, consolidated statement of changes in equity, consolidated cash flows and related notes cover a twelve months period from 1st April, 2003 to 31st March, 2004 and therefore may not be comparable with amounts shown for the current period. The period covered by the financial statements for the current period is less than twelve months because the directors determined to bring the balance sheet date in line with that of the statutory year end date of Shanxi Changxing Yuci Coking Co., Ltd. ("Shangxi Changxing"), a company proposed to be acquired by the Group. Upon completion of the acquisition, Shangxi Changxing will become the Group's major subsidiary operating in the People's Republic of China the "PRC". Details of the acquisition are set out in note 31. Such alignment will facilitate the preparation of the Group's consolidated financial statements. No further changes to reporting dates are anticipated.

3. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards ("HKFRS(s)") (hereinafter collectively referred to as "new HKFRS(s)") which are effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRS(s) in the financial statements for the nine months ended 31st December, 2004.

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

For the nine months ended 31st December, 2004

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment property and investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December from 1st April, 2004 onward, and up to 31st March prior to 1st April, 2004.

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

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of an associate at the date of acquisition over the cost of acquisition.

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in the income immediately.

Negative goodwill arising on the acquisition of an associate is deducted from the carrying value of that associate.

For the nine months ended 31st December, 2004

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Investments in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the period. In the consolidated balance sheet, the investments in associates are stated at the Group's share of the net assets of the associate less the negative goodwill in so far as it has not already been released to income, less any identified impairment loss.

Revenue recognition

Income from provision of freight forwarding agency services is recognised when the services are rendered.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

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

Investment property

Investment property is completed property which is held for their investment potential, any rental income being negotiated at arm's length.

Investment property is stated at open market value based on independent professional valuations at the balance sheet date. Any surplus or deficit arising on the revaluation of investment property is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation or amortisation is provided on investment property except where the unexpired term, including the renewal period, of the relevant lease is twenty years or less.

For the nine months ended 31st December, 2004

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

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

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the reducing balance method, at the following rates per annum:

| | |
|------------------------|--|
| Leasehold improvements | 15% or over the term of the lease, whichever is shorter |
| Furniture and fixtures | 10% – 33.33% |
| Office equipment | 10% – 20% |
| Motor vehicles | 16.67% – 33.33% |

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Impairment of assets

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, such 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.

Operating leases

Rentals payable in respect of operating leases are charged to the income statement on a straight line basis over the relevant lease term.

For the nine months ended 31st December, 2004

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

Investments other than held-to-maturity securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

Convertible bonds

Convertible bonds are separately disclosed and regarded as liabilities unless conversion actually occurs. The finance cost recognized in the consolidated income statement in respect of the convertible bonds is calculated so as to produce a constant periodic rate of charge on the remaining balances of the convertible bonds for each accounting period.

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period/year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

For the nine months ended 31st December, 2004

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefit schemes

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme ("MPF Scheme") are charged as an expense as they fall due.

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 period/year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases 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 the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax 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.

5. TURNOVER

| | 1.4.2004 to 31.12.2004 HK\$'000 | 1.4.2003 to 31.3.2004 HK\$'000 |
|--|--|---|
| International air and sea freight forwarding | 10,198 | 13,122 |
| Securities investment | — | 57,849 |
| | <u>10,198</u> | <u>70,971</u> |

For the nine months ended 31st December, 2004

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

The Group's operations are principally located in North and South America, Hong Kong, other locations in the People's Republic of China (the "PRC") and others. An analysis of the Group's revenue and contribution to operating results and segmental assets and liabilities by business segment is as follows:

| | International air and sea freight forwarding <i>HK\$'000</i> | Securities investment <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|--|--|---|--|
| For the nine months ended 31st December, 2004 | | | |
| Turnover | | | |
| External | <u>10,198</u> | <u>–</u> | <u>10,198</u> |
| Results | | | |
| Segment result | <u>192</u> | <u>260</u> | 452 |
| Unallocated corporate expenses | | | (34,210) |
| Interest income | | | <u>824</u> |
| Loss from operations | | | (32,934) |
| Finance costs | | | (9) |
| Share of results of associates | | | <u>(17,527)</u> |
| Loss before taxation | | | (50,470) |
| Taxation | | | <u>–</u> |
| Net loss for the period | | | <u>(50,470)</u> |
| At 31 December, 2004 | | | |
| ASSETS | | | |
| Segment assets | <u>2,687</u> | <u>40</u> | 2,727 |
| Interests in associates | | | 32,684 |
| Unallocated corporate assets | | | <u>48,975</u> |
| Consolidated total assets | | | <u>84,386</u> |
| LIABILITIES | | | |
| Segment liabilities | <u>2,914</u> | <u>2</u> | 2,916 |
| Unallocated corporate liabilities | | | <u>27,612</u> |
| Consolidated total liabilities | | | <u>30,528</u> |
| For the nine months ended 31st December, 2004 | | | |
| OTHER INFORMATION | | | |
| Additions to property, plant and equipment | 11 | 15 | 26 |
| Depreciation | <u>12</u> | <u>288</u> | <u>300</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the nine months ended 31st December, 2004

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

| | International air and sea freight forwarding HK\$'000 | Securities investment HK\$'000 | Consolidated HK\$'000 |
|--|---|--------------------------------------|--------------------------|
| For the year ended 31st March, 2004 | | | |
| Turnover | | | |
| External | <u>13,122</u> | <u>57,849</u> | <u>70,971</u> |
| Results | | | |
| Segment result | <u>(62)</u> | <u>9,433</u> | 9,371 |
| Unallocated corporate expenses | | | (13,758) |
| Interest income | | | <u>1,279</u> |
| Loss from operations | | | (3,108) |
| Finance costs | | | (42) |
| Share of results of an associate | | | <u>(43,576)</u> |
| Loss before taxation | | | (46,726) |
| Taxation | | | <u>(110)</u> |
| Net loss for the year | | | <u>(46,836)</u> |
| At 31st March, 2004 | | | |
| ASSETS | | | |
| Segment assets | <u>2,427</u> | <u>40</u> | 2,467 |
| Interest in an associate | | | 46,442 |
| Unallocated corporate assets | | | <u>49,590</u> |
| Consolidated total assets | | | <u>98,499</u> |
| LIABILITIES | | | |
| Segment liabilities | <u>2,568</u> | <u>4</u> | 2,572 |
| Unallocated corporate liabilities | | | <u>8,317</u> |
| Consolidated total liabilities | | | <u>10,889</u> |
| For the year ended 31st March 2004 | | | |
| OTHER INFORMATION | | | |
| Additions to property, plant and equipment | 52 | 101 | 153 |
| Depreciation | 15 | 407 | 422 |
| Loss on disposal of property, plant and equipment | <u>-</u> | <u>42</u> | <u>42</u> |

For the nine months ended 31st December, 2004

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

GEOGRAPHICAL SEGMENTS

The following provides an analysis of the Group's turnover by geographic market, irrespective of the origin of the goods/services.

| | Turnover | |
|-------------------------|--|---|
| | 1.4.2004 to 31.12.2004 HK\$'000 | 1.4.2003 to 31.3.2004 HK\$'000 |
| North and South America | 6,252 | 6,282 |
| Hong Kong | – | 57,849 |
| Others | 3,946 | 6,840 |
| | <u>10,198</u> | <u>70,971</u> |

The following is an analysis of the carrying amount of segment assets and capital additions analysed by the geographical area in which the assets are located:

| | Carrying amount of segment assets | | Capital additions | |
|-------------------------|--------------------------------------|-----------------------|---------------------------------------|--------------------------------------|
| | 31.12.2004 HK\$'000 | 31.3.2004 HK\$'000 | 1.4.2004 to 31.12.2004 HK\$'000 | 1.4.2003 to 31.3.2004 HK\$'000 |
| North and South America | 1,495 | 1,422 | – | – |
| Hong Kong | 46,294 | 46,886 | 11 | 84 |
| PRC | 35,407 | 49,187 | 15 | 17 |
| Others | 1,190 | 1,004 | – | 52 |
| | <u>84,386</u> | <u>98,499</u> | <u>26</u> | <u>153</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the nine months ended 31st December, 2004

7. OTHER OPERATING INCOME

| | 1.4.2004 to 31.12.2004 HK\$'000 | 1.4.2003 to 31.3.2004 HK\$'000 |
|--|--|---|
| Interest income | 824 | 1,279 |
| Dividend income from listed securities | 283 | 181 |
| Surplus arising on revaluation of investment property | 180 | 90 |
| Sundry income | 87 | 49 |
| | <u>1,374</u> | <u>1,599</u> |

8. LOSS FROM OPERATIONS

| | 1.4.2004 to 31.12.2004 HK\$'000 | 1.4.2003 to 31.3.2004 HK\$'000 |
|---|--|---|
| Loss from operations has been arrived at after charging: | | |
| Staff costs | | |
| – directors' emoluments (<i>note 9(a)</i>) | 1,574 | 2,218 |
| – other staff costs | 2,540 | 3,138 |
| – retirement benefits scheme contributions, excluding directors and net of forfeited contributions of HK\$37,834 for the nine months ended 31st December, 2004 (1.4.2003 to 31.3.2004: Nil) | 57 | 129 |
| Total staff costs | <u>4,171</u> | <u>5,485</u> |
| Auditors' remuneration | 678 | 560 |
| Depreciation of property, plant and equipment | 300 | 422 |
| Loss on disposal of property, plant and equipment | – | 42 |
| Equity-settled consultancy services (<i>Note</i>) and after crediting: | 16,713 | – |
| Surplus arising on revaluation of investment property | <u>180</u> | <u>90</u> |

Note: The amount represents fair value of consultancy services provided to the Group in the current period in relation to identifying potential coke projects in the PRC. The consultancy service fees are settled through the issue of 402,000,000 share options in the current period as set out in Note22 (b).

For the nine months ended 31st December, 2004

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) DIRECTORS' EMOLUMENTS

| | 1.4.2004 to 31.12.2004 HK\$'000 | 1.4.2003 to 31.3.2004 HK\$'000 |
|--|--|---|
| Fees: | | |
| – Executive directors | – | – |
| – Independent non-executive directors | – | 120 |
| | <hr/> | <hr/> |
| | – | 120 |
| Other emoluments: | | |
| – Executive directors | | |
| Salaries and other benefits | 1,507 | 2,009 |
| Retirement benefits scheme contributions | 67 | 89 |
| | <hr/> | <hr/> |
| | 1,574 | 2,098 |
| | <hr/> | <hr/> |
| Total directors' remuneration | <u>1,574</u> | <u>2,218</u> |

The aggregate remuneration of each individual director was less than HK\$1,000,000.

(b) EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (1.4.2003 to 31.3.2004: four) were directors of the Company whose emoluments are set out in (a) above. The emoluments of the remaining one (1.4.2003 to 31.3.2004: one) individuals were as follows:

| | 1.4.2004 to 31.12.2004 HK\$'000 | 1.4.2003 to 31.3.2004 HK\$'000 |
|--|--|---|
| Salaries and other benefits | 361 | 622 |
| Retirement benefits scheme contributions | 18 | 30 |
| | <hr/> | <hr/> |
| | 379 | 652 |
| | <hr/> | <hr/> |

During the nine months from 1st April, 2004 to 31st December, 2004 and the year ended 31st March, 2004, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group.

For the nine months ended 31st December, 2004

10. FINANCE COSTS

| | 1.4.2004 to 31.12.2004 HK\$'000 | 1.4.2003 to 31.3.2004 HK\$'000 |
|--|--|---|
| Interest payable on: | | |
| Convertible bonds | 9 | – |
| Other borrowings wholly repayable within five years | – | 42 |
| | 9 | 42 |

11. TAXATION

The charge for the period/year represent provision for tax in jurisdictions other than Hong Kong calculated at the rates prevailing in the relevant jurisdictions.

The charge for the period/year can be reconciled to the loss before taxation per the consolidated income statement as follows:

| | 1.4.2004 to 31.12.2004 HK\$'000 | 1.4.2003 to 31.3.2004 HK\$'000 |
|---|--|---|
| Loss before taxation | (50,470) | (46,726) |
| Tax at the income tax rate of 17.5% | (8,832) | (8,177) |
| Tax effect of share of results of associates | 3,067 | 5,680 |
| Tax effect of expenses that are not deductible in determining taxable profit | 5,222 | 2,679 |
| Tax effect of income that are not taxable in determining taxable profit | (78) | (48) |
| Tax effect of utilisation of tax loss not previously recognised | (28) | (1,727) |
| Tax effect of tax losses not recognised | 905 | 1,873 |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | (256) | (170) |
| Tax expense for the period/year | – | 110 |

For the nine months ended 31st December, 2004

11. TAXATION (Continued)

The major deferred tax liabilities (assets) recognised and movements thereon during the current period and prior years are summarised below:

| | Accelerated tax depreciation <i>HK\$'000</i> | Tax losses <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|--|--|---------------------------------|
| Balance at 1st April, 2003 | 63 | (63) | – |
| Charge (credit) to consolidated income statement for the year | 25 | (25) | – |
| Balance at 31st March, 2004 | 88 | (88) | – |
| Charge (credit) to consolidated income statement for the period | (8) | 8 | – |
| Balance at 31st December, 2004 | 80 | (80) | – |

At 31st December, 2004, the Group has unused tax losses of approximately HK\$129,315,000 (31.3.2004: HK\$124,352,000) available for offset against future profits. A deferred tax asset has been recognised in respect of tax losses approximately HK\$455,000 (31.3.2004: HK\$501,000). No deferred tax asset has been recognised in respect of the remaining tax losses amounted to approximately HK\$128,860,000 (31.3.2004: HK\$123,851,000) due to the unpredictability of future profit streams.

12. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the period/year of HK\$50,470,000 (1.4.2003 to 31.3.2004: HK\$46,836,000) and on 4,402,381,660 (1.4.2003 to 31.3.2004: 4,402,381,660) ordinary shares in issue during the period/year.

The computation of diluted loss per share does not assume the exercise of the share options and the conversion of the redeemable convertible bonds, as their exercise would result in a decrease in loss per share for the period/year.

For the nine months ended 31st December, 2004

13. INVESTMENT PROPERTY

THE GROUP

HK\$'000

VALUATION

| | |
|--------------------------------|-------------|
| At 1st April, 2004 | 1,020 |
| Surplus arising on revaluation | 180 |
| | <hr/> |
| At 31st December, 2004 | 1,200 |
| | <hr/> <hr/> |

This investment property was held under medium term lease and situated in Hong Kong.

The Group's investment property was revalued at 31st December, 2004 by Chesterton Petty Limited, an independent firm of professional property valuers, on an open market value basis. The surplus arising on the revaluation of HK\$180,000 has been credited to the consolidated income statement.

14. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold improvements HK\$'000 | Furniture and fixtures HK\$'000 | Office equipment HK\$'000 | Motor vehicles HK\$'000 | Total HK\$'000 |
|-------------------------------|---------------------------------------|--|---------------------------------|-------------------------------|-------------------|
| THE GROUP COST | | | | | |
| At 1st April, 2004 | 144 | 788 | 1,049 | 2,612 | 4,593 |
| Exchange realignment | – | 8 | 3 | 5 | 16 |
| Additions | – | 11 | 15 | – | 26 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31st December, 2004 | 144 | 807 | 1,067 | 2,617 | 4,635 |
| DEPRECIATION | | | | | |
| At 1st April, 2004 | 109 | 659 | 621 | 707 | 2,096 |
| Exchange realignment | – | 7 | 3 | 4 | 14 |
| Provided for the period | 26 | 22 | 91 | 161 | 300 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31st December, 2004 | 135 | 688 | 715 | 872 | 2,410 |
| NET BOOK VALUES | | | | | |
| At 31st December, 2004 | 9 | 119 | 352 | 1,745 | 2,225 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |
| At 31st March, 2004 | 35 | 129 | 428 | 1,905 | 2,497 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

For the nine months ended 31st December, 2004

15. INTERESTS IN SUBSIDIARIES

| | 31.12.2004 <i>HK\$'000</i> | 31.3.2004 <i>HK\$'000</i> |
|----------------------------------|--------------------------------------|------------------------------|
| Unlisted shares, at cost | 97,059 | 97,059 |
| Less: Impairment loss recognised | (62,309) | (62,309) |
| | 34,750 | 34,750 |
| Amounts due from subsidiaries | 237,361 | 232,376 |
| Less: Allowances | (227,355) | (203,727) |
| | 10,006 | 28,649 |
| | 44,756 | 63,399 |

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The amounts due from subsidiaries will not be repayable in the next twelve months from the balance sheet date and accordingly, the amounts are shown as non-current.

For the nine months ended 31st December, 2004

15. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries at 31st December, 2004 are as follows:

| Name of subsidiary | Place of incorporation and operation | Nominal value of issued and fully paid share capital/ registered capital | Proportion of nominal value of issued share capital/ registered capital held by the Company | | Principal activities |
|---|---|--|---|------------|---|
| | | | Directly | Indirectly | |
| | | | % | % | |
| Jet Dispatch Limited | United States of America | US\$3,000 | – | 100 | Freight forwarding agent |
| Jet Air (Singapore) Private Limited | Singapore | S\$500,000 | – | 93 | Air freight forwarding and brokers for airline and shipping companies |
| Square Profits Group Inc. | British Virgin Islands ("BVI")/ Hong Kong | US\$1 | 100 | – | Investment holding |
| Dragon Air Investments Limited | Niue/ Hong Kong | US\$50,000 | – | 100 | Investment holding |
| Heatwave Industries Limited | BVI/ Hong Kong | US\$1 | – | 100 | Inactive |
| 北京益來教育投資顧問有限公司 ("北京益來") | PRC | RMB4,238,600 | 100 | – | Inactive |
| Funeway Investments Limited ("Funeway") | BVI/PRC | US\$1 | 100 | – | Inactive |
| Clearmind Investments Limited | BVI | US\$1 | 100 | – | Inactive |
| Fortune Zone International Limited | BVI | US\$1 | 100 | – | Inactive |

For the nine months ended 31st December, 2004

15. INTERESTS IN SUBSIDIARIES (Continued)

Except for 北京益來 which is a wholly owned foreign enterprise in the PRC, all other subsidiaries are limited companies incorporated in the respective jurisdictions.

None of the subsidiaries had any debt securities subsisting at the end of the period or at any time during the period.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the period 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.

16. INTERESTS IN ASSOCIATES

| | THE GROUP | |
|---|----------------------|---------------|
| | 31.12.2004 | 31.3.2004 |
| | HK\$'000 | HK\$'000 |
| Share of net assets | 34,397 | 48,252 |
| Negative goodwill | | |
| – Arising on dilution of interest in a subsidiary | (1,713) | (1,810) |
| | <u>32,684</u> | <u>46,442</u> |

The movement of negative goodwill is as follows:

| | HK\$'000 |
|---|---------------------|
| THE GROUP | |
| COST | |
| At 31st March, 2004 and 31st December, 2004 | <u>1,939</u> |
| AMORTISATION | |
| At 31st March, 2004 | 129 |
| Provided for the period | <u>97</u> |
| At 31st December, 2004 | <u>226</u> |
| NET BOOK VALUES | |
| At 31st December, 2004 | <u><u>1,713</u></u> |
| At 31st March, 2004 | <u><u>1,810</u></u> |

The negative goodwill is amortised to income on a straight line basis over 15 years.

For the nine months ended 31st December, 2004

16. INTERESTS IN ASSOCIATES (Continued)

Particulars of the associates at 31st December, 2004 are as follows:

| Name of associates | Form of business structure | Place of registration and operation | Proportion of nominal value of registered capital held indirectly by the Company % | Principal activities |
|---|---|-------------------------------------|--|---|
| 南京新益華集團有限公司 Nanjing E-Life Gene Technology Company ("E-Life Gene") | Sino-foreign Equity Joint Venture | The PRC | 49.37 | Development of biotechnological genetic products and investment holdings |
| 上海國際航空服務有限公司 Shanghai International Airlines Services Co. Ltd. ("Shanghai Airlines") | Sino-foreign Equity Joint Venture | The PRC | 40 | Provision of air freight forwarding business |

In July 2004, the Group entered into an agreement for the acquisition of 40% interest in Shanghai Airlines, for a cash consideration of approximately HK\$3,769,000. Shanghai Airlines is engaged in air freight forwarding business. Up to 31st December, 2004, the Group has paid approximately HK\$998,000, the remaining consideration payable of HK\$2,771,000 was included in other payables as set out in note 20.

For the nine months ended 31st December, 2004

16. INTERESTS IN ASSOCIATES (Continued)

The following details have been extracted from the unaudited management accounts of E-Life Gene, the Group's significant associate which are prepared in accordance with accounting principles generally accepted in Hong Kong.

Results for the period/year

| | 1.4.2004 to 31.12.2004 HK\$'000 | 1.4.2003 to 31.3.2004 HK\$'000 |
|--|--|---|
| Turnover | <u><u>-</u></u> | <u><u>-</u></u> |
| Loss before taxation | <u><u>(35,913)</u></u> | <u><u>(88,766)</u></u> |
| Loss before taxation attributable to the Group | <u><u>(17,730)</u></u> | <u><u>(43,576)</u></u> |

Financial position

| | 31.12.2004 HK\$'000 | 31.3.2004 HK\$'000 |
|--------------------------------------|--------------------------------|-----------------------|
| Non-current assets | 47,630 | 66,283 |
| Current assets | 15,361 | 32,213 |
| Current liabilities | <u>(1,168)</u> | <u>(761)</u> |
| Net assets | <u><u>61,823</u></u> | <u><u>97,735</u></u> |
| Net assets attributable to the Group | <u><u>30,522</u></u> | <u><u>48,252</u></u> |

For the nine months ended 31st December, 2004

17. INVESTMENTS IN SECURITIES

| | THE GROUP | | | | | |
|--|------------------------|-----------------------|------------------------|-----------------------|------------------------|-----------------------|
| | Investment securities | | Other investments | | Total | |
| | 31.12.2004 HK\$'000 | 31.3.2004 HK\$'000 | 31.12.2004 HK\$'000 | 31.3.2004 HK\$'000 | 31.12.2004 HK\$'000 | 31.3.2004 HK\$'000 |
| Non-current unlisted equity securities | 16,800 | 16,800 | – | – | 16,800 | 16,800 |
| Non-current club debentures | – | – | 514 | 514 | 514 | 514 |
| | 16,800 | 16,800 | 514 | 514 | 17,314 | 17,314 |

During the year ended 31st March, 2002, the Group, through an acquisition of a wholly owned subsidiary, acquired 30,000,000 promoters' shares in Beijing Beida Jade Bird Universal Sci-Technology Company ("BBJB") ("Promoters' Shares") of RMB0.01 each at a consideration of HK\$38,250,000, which is equivalent to 2.53% of total issued share capital (including H shares and Promoters' Shares) of BBJB. An impairment loss of approximately HK\$21,450,000 was identified as at 31st March, 2003. As at 31st December, 2004, the carrying amount of the interest in the Promoter's Shares amounted to HK\$16,800,000. BBJB is a joint stock company with limited liability incorporated in the PRC with its H shares listed on the Growth Enterprise Market of the Stock Exchange (the "GEM Board"). Promoters' Shares were unlisted share capital issued by BBJB when it was initially listed on the GEM Board in 2000. According to the Company Law in the PRC, Promoters' Shares could not be transferable within three years from the date of incorporation of BBJB on 29th March, 2000. Upon expiry of the three years lock up period on 28th March, 2003, those Promoters' Shares could be applied for listing on the GEM Board. The Group has been informed by BBJB that BBJB is in the process of applying for listing of Promoters' Shares on the GEM Board and the application is still under progress. In the opinion of the directors, this investment will be able to enhance the strategic relationship between the Group and BBJB. The Group identified its investment in the Promoters' Shares as for long-term strategic purpose and thus the amount is treated as investment securities.

At 31st December, 2004, the directors of the Company reviewed the carrying amount of the Promoters' Shares by reference to the current market conditions and no further impairment loss was identified.

For the nine months ended 31st December, 2004

18. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group allows its trade customers with credit period normally ranging from 30 days to 60 days. Included in debtors, deposits and prepayments are trade debtors with the following aged analysis:

| | THE GROUP | |
|-------------------------------|--------------|--------------|
| | 31.12.2004 | 31.3.2004 |
| | HK\$'000 | HK\$'000 |
| 0-30 days | 625 | 643 |
| 31-60 days | 451 | 298 |
| 61-90 days | 333 | 341 |
| Over 90 days | 59 | 361 |
| | <hr/> | <hr/> |
| | 1,468 | 1,643 |
| Add: Deposits and prepayments | 878 | 1,201 |
| | <hr/> | <hr/> |
| | 2,346 | 2,844 |
| | <hr/> <hr/> | <hr/> <hr/> |

19. SHORT TERM RECEIVABLES

THE GROUP AND THE COMPANY

At 31st December, 2004, the amount is unsecured, carries interest at Hong Kong Prime Rate plus 2% and was due for repayable on 18th March, 2005. An amount of HK\$5,000,000 was settled subsequent to 31st December, 2004 while the maturity date of the remaining balance has been extended to 18 September, 2005.

At 31st March, 2004, the amount was unsecured and carried interest at Hong Kong Prime Rate plus 4% and were fully settled during the nine months ended 31st December, 2004.

For the nine months ended 31st December, 2004

20. CREDITORS, ACCRUED CHARGES AND OTHER PAYABLES

Included in creditors, accrued charges and other payables are trade creditors with the following aged analysis:

| | THE GROUP | |
|---|------------------------|-----------------------|
| | 31.12.2004 HK\$'000 | 31.3.2004 HK\$'000 |
| 0-30 days | 537 | 598 |
| 31-60 days | 396 | 54 |
| 61-90 days | 153 | 104 |
| Over 90 days | 1,830 | 1,816 |
| | 2,916 | 2,572 |
| Add: Accrued charges and other payables | 8,112 | 8,317 |
| | 11,028 | 10,889 |

Included in other payables there was a consideration payable with coming amount approximately HK\$2,771,000 in connection with the acquisition of a 40% interest in Shanghai Airlines (Note 16).

21. SHARE CAPITAL

| | Number of shares '000 | Value HK\$'000 |
|---|-----------------------------|-------------------|
| <i>Authorised:</i> | | |
| Ordinary shares of HK\$0.05 each at 1st April, 2003, 31st March, 2004 and 31st December, 2004 | 12,000,000 | 600,000 |
| <i>Issued and fully paid:</i> | | |
| Ordinary shares of HK\$0.05 each at 1st April, 2003, 31st March, 2004 and 31st December, 2004 | 4,402,381 | 220,119 |

For the nine months ended 31st December, 2004

22. SHARE OPTION SCHEMES

(a) The 1996 Scheme

Pursuant to the share option scheme adopted on 5th March, 1996 (the "1996 Scheme") and effective for a period of ten years after the date of adoption of the scheme, the Company granted options to directors and employees of the Company and its subsidiaries to subscribe for shares in the Company for the primary purpose of providing incentives to directors and eligible employees. Options granted must be taken up within 28 days from the date of grant. Upon acceptance of the option, the grantee shall pay HK\$1 to the Company by way of consideration for the grant. The subscription price, subject to adjustment, shall not be less than 80% of the average of the closing prices of the shares of the Company on the five trading days immediately before the options were offered. Options granted are exercisable for a period of four and a half years commencing on the expiry of six months after the date on which the options are granted. The total number of shares in respect of which options may be granted and had already been granted under the 1996 Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time. The total number of shares in respect of which options may be granted and had already been granted to any individual is not permitted to exceed 25% of the maximum aggregate number of shares in the capital of the Company in respect of which options may at that time be granted under the 1996 Scheme.

Pursuant to the special resolution passed by shareholders of the Company on 18th March, 2002, the Company adopted a new share option scheme (the "2002 Scheme") and terminated the 1996 Scheme. Upon termination of the 1996 Scheme, no further options will be granted thereafter, but in all other respects, the provisions of the 1996 Scheme shall remain in force and all outstanding options granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

At 31st December, 2004, the number of shares in respect of which options had been remained outstanding under the 1996 Scheme was 2,400,000 (31.3.2004: 6,648,000), representing 0.05% (31.3.2004: 0.15%) of the shares of the Company in issue at that date.

For the nine months ended 31st December, 2004

22. SHARE OPTION SCHEMES (Continued)

(a) The 1996 Scheme (Continued)

The following table discloses movements in the Company's share options granted under the 1996 Scheme during the nine months from 1st April, 2004 to 31st December, 2004:

| | Date of grant | Exercisable period | Exercise price HK\$ | Number of share options | | | | At 31.12.2004 |
|-----------------|---------------|----------------------------|------------------------|-------------------------|---------------------------|-----------------------------|---------------------------------------|---------------|
| | | | | At 1.4.2004 | Granted during the period | Exercised during the period | Surrendered /lapsed during the period | |
| Directors | 17.11.2000 | 17.5.2001 to 17.11.2005 | 0.144 | 2,000,000 | - | - | - | 2,000,000 |
| Other employees | 7.3.2000 | 7.9.2000 to 7.3.2005 | 0.250 | 700,000 | - | - | (500,000) | 200,000 |
| | 11.4.2000 | 11.10.2000 to 11.4.2005 | 0.295 | 3,498,000 | - | - | (3,298,000) | 200,000 |
| | 17.11.2000 | 17.5.2001 to 17.11.2005 | 0.144 | 450,000 | - | - | (450,000) | - |
| Sub-total | | | | 4,648,000 | - | - | (4,248,000) | 400,000 |
| Total | | | | 6,648,000 | - | - | (4,248,000) | 2,400,000 |

For the nine months ended 31st December, 2004

22. SHARE OPTION SCHEMES (Continued)

(a) The 1996 Scheme (Continued)

A summary of movements of share options under the 1996 Scheme during the year ended 31st March, 2004 is as follows:

| | Date of grant | Exercisable period | Exercise price HK\$ | Number of share options | | | | At 31.3.2004 |
|-----------------|---------------|----------------------------|------------------------|-------------------------|-------------------------|---------------------------|-------------------------------------|--------------|
| | | | | At 1.4.2003 | Granted during the year | Exercised during the year | Surrendered /lapsed during the year | |
| Directors | 17.11.2000 | 17.5.2001 to 17.11.2005 | 0.144 | 2,000,000 | - | - | - | 2,000,000 |
| Other employees | 7.3.2000 | 7.9.2000 to 7.3.2005 | 0.250 | 700,000 | - | - | - | 700,000 |
| | 11.4.2000 | 11.10.2000 to 11.4.2005 | 0.295 | 3,498,000 | - | - | - | 3,498,000 |
| | 17.11.2000 | 17.5.2001 to 17.11.2005 | 0.144 | 450,000 | - | - | - | 450,000 |
| Sub-total | | | | 4,648,000 | - | - | - | 4,648,000 |
| Total | | | | 6,648,000 | - | - | - | 6,648,000 |

(b) The 2002 Scheme

On 18th March, 2002, the Company adopted the 2002 Scheme under which the board of directors may at its discretion offer to any director (including non-executive director), employee, suppliers, customers, any person or entity that provides research, development or other technological support to the Group, shareholders of any member of the Group or any entity in which the Group holds an equity interests and any other group or classes of persons or entities who have contributed to the development and growth of the Group ("Participant") of the Company and/or its subsidiaries options to subscribe for shares in the Company in accordance with the terms of the 2002 Scheme. The principal purpose of the 2002 Scheme is to provide incentive or rewards for the participant's contributions to the Group.

For the nine months ended 31st December, 2004

22. SHARE OPTION SCHEMES *(Continued)*

(b) The 2002 Scheme *(Continued)*

The total number of shares which may be issued upon exercise of all options to be granted under the 2002 Scheme and any other share option schemes of the Company shall not exceed 10% of the issued share capital of the Company in issue as at the date of adoption of the 2002 Scheme, unless a fresh approval from the shareholders of the Company has been obtained. However, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2002 Scheme and any other share option schemes of the Company (including the 1996 Scheme) shall not in aggregate exceed 30% of the issued share capital of the Company from time to time.

The subscription price of the option shares granted under the 2002 Scheme shall be a price to be determined by the directors of the Company being not less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant; (iii) the nominal value of a share.

The total number of shares issued and may be issued upon exercise of the options granted to any individual under the 2002 Scheme and any other share option schemes of the Company must not exceed 1% of the shares in issue.

The 2002 Scheme will remain in force for a period of ten years commencing from the date of adoption of the 2002 Scheme, after which no further options will be granted but the options which are granted during the life of the 2002 Scheme may continue to be exercisable in accordance with their terms of issue and the provisions of the 2002 Scheme shall in all other respects remain in full force and effect in respect thereof.

Options granted under the 2002 Scheme must be taken up within 21 days of the date of grant. Upon acceptance of the option, the grantee shall pay HK\$1 to the Company as consideration for the grant.

For the nine months ended 31st December, 2004

22. SHARE OPTION SCHEMES (Continued)

(b) The 2002 Scheme

During the period ended 31st December, 2004, there are 440,000,000 (1.4.2003 to 31.3.2004: Nil) share options granted to employees and other eligible persons. The number of shares in respect of which options had been granted to employees and other eligible persons remained outstanding as at 31 December, 2004 under the 2002 Scheme was 840,700,000 (1.4.2003: 432,700,000), representing 19.10% (1.4.2003 to 31.3.2004: 9.83%) of the shares of the Company in issue at that date. There is no share options granted to or exercised by the directors during the current period.

The following table disclose movements in the Company's share options granted under the 2002 Scheme during the nine months ended 31st December, 2004:

| | Date of grant | Exercisable period | Exercise price HK\$ | Number of share options | | | | |
|------------------------|---------------|---------------------------|------------------------|-------------------------|---------------------------|-----------------------------|--------------------------|---------------------------|
| | | | | Outstanding at 1.4.2004 | Granted during the period | Exercised during the period | Lapsed during the period | Outstanding at 31.12.2004 |
| Directors | 8.11.2002 | 8.11.2002 to 8.11.2005 | 0.119 | 373,900,000 | - | - | - | 373,900,000 |
| | 19.9.2002 | 19.9.2002 to 19.9.2005 | 0.119 | 9,000,000 | - | - | - | 9,000,000 |
| Sub-total | | | | 382,900,000 | - | - | - | 382,900,000 |
| Employees | 19.9.2002 | 19.9.2002 to 19.9.2005 | 0.119 | 49,800,000 | - | - | (32,000,000) | 17,800,000 |
| | 5.10.2004 | 5.10.2004 to 5.10.2004 | 0.0712 | - | 38,000,000 | - | - | 38,000,000 |
| Sub-total | | | | 49,800,000 | 38,000,000 | - | (32,000,000) | 55,800,000 |
| Other eligible persons | 23.9.2004 | 23.9.2004 to 23.9.2014 | 0.070 | - | 200,000,000 | - | - | 200,000,000 |
| | 5.10.2004 | 5.10.2004 to 5.10.2014 | 0.0712 | - | 202,000,000 | - | - | 202,000,000 |
| Sub-total | | | | - | 402,000,000 | - | - | 402,000,000 |
| | | | | 432,700,000 | 440,000,000 | - | (32,000,000) | 840,700,000 |

Total consideration received from employees and other person for taking up the options granted is amounted to HK\$30 (1.4.2003 to 31.3.2004: Nil).

The closing price of the Company's shares immediately before 23rd September, 2004 and 5th October, 2004, the date of grant of the 2002 Scheme's option, were HK\$0.070 and HK\$0.0712, respectively.

For the nine months ended 31st December, 2004

22. SHARE OPTION SCHEMES (Continued)

A summary of the movements of share options under the 2002 Scheme during the year ended 31st March, 2004 is as follows:

| | Date of grant | Exercisable period | Exercise price HK\$ | Number of share options | | | |
|-----------------|---------------|------------------------|------------------------|-------------------------|-------------------------|---------------------------|--------------------------|
| | | | | Outstanding at 1.4.2003 | Granted during the year | Exercised during the year | Outstanding at 31.3.2004 |
| Directors | 8.11.2002 | 8.11.2002 to 8.11.2005 | 0.119 | 373,900,000 | - | - | 373,900,000 |
| | 19.9.2002 | 19.9.2002 to 19.9.2005 | 0.119 | 9,000,000 | - | - | 9,000,000 |
| Sub-total | | | | 382,900,000 | - | - | 382,900,000 |
| Other employees | 19.9.2002 | 19.9.2002 to 19.9.2005 | 0.119 | 49,800,000 | - | - | 49,800,000 |
| | | | | 432,700,000 | - | - | 432,700,000 |

23. RESERVES

| | Share premium HK\$'000 | Contributed surplus HK\$'000 | Other reserve HK\$'000 | Deficit HK\$'000 | Total HK\$'000 |
|-------------------------------|---------------------------|---------------------------------|---------------------------|---------------------|-------------------|
| THE COMPANY | | | | | |
| At 1st April, 2003 | 51,358 | 48,311 | - | (193,590) | (93,921) |
| Net loss for the year | - | - | - | (40,456) | (40,456) |
| At 31st March, 2004 | 51,358 | 48,311 | - | (234,046) | (134,377) |
| Equity-settled | | | | | |
| Contingency services | - | - | 16,713 | - | 16,713 |
| Net loss for the period | - | - | - | (52,162) | (52,162) |
| At 31st December, 2004 | 51,358 | 48,311 | 16,713 | (286,208) | (169,826) |

For the nine months ended 31st December, 2004

23. RESERVES (Continued)

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the reorganisation prior to the listing of the Company's shares on the Main Board of the Stock Exchange in 1996 over the nominal value of the Company's shares issued in exchange thereof.

Other reserve, which relates to issue of 402,000,000 share options in the current period as set out in note 22(b), represents fair value of consultancy services provided to the Group in the current period in relation to identifying potential coke projects in the PRC.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus 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:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

At 31st December, 2004 and 31st March, 2004, the Company had no reserves available for distribution to shareholders.

24. CONVERTIBLE BONDS

| | THE GROUP AND THE COMPANY | |
|---|--|-----------|
| | 31.12.2004 | 31.3.2004 |
| | HK\$'000 | HK\$'000 |
| Interest bearing redeemable convertible bonds | <u>19,500</u> | <u>—</u> |

On 2nd December, 2004, the Company entered into a subscription agreement with an independent third party (the "subscriber") for the issue of two redeemable convertible bonds with aggregate principal amount of US\$5,000,000. The Company also granted an option to the subscriber for subscription of two additional bonds with aggregate principal amount of US\$5,000,000. Each redeemable convertible bond bears interest at the rate of 1% per annum and is due on the maturity date, which is the date falling on the second anniversary from the date of issue of such redeemable convertible bond. The redeemable convertible bonds are pledged by the Group's investment in the Promoters. Shares with the amount of HK\$16,800,000 (note 17). The conversion price is HK\$0.089 per share and a total of 876,404,493, shares will be allotted and issued upon the conversions in full of the convertible bonds.

For the nine months ended 31st December, 2004

24. CONVERTIBLE BONDS (Continued)

On 16th December, 2004, the Company issued US\$2,500,000 (equivalent to approximately HK\$19,500,000) convertible bonds to the subscriber and none of the redeemable convertible bonds had been converted into ordinary shares of the Company as at 31st December, 2004.

On 2nd March, 2005, the Company issued additional US\$2,500,000 redeemable convertible bonds to the subscriber. On the same date, the subscriber also exercised the option granted by the Company for the subscription of two additional redeemable convertible bonds in amount of US\$5,000,000. In addition, the subscriber converted the redeemable convertible bonds in amount of US\$8,000,000 into 701,123,595 ordinary shares of the Company at a conversion price of HK\$0.089.

25. PURCHASE OF A SUBSIDIARY

During the year ended 31st March, 2004, the Group acquired the entire issued share capital together with a non-interest bearing shareholder's loan of Honest Talents Limited ("Honest Talents") at a cash consideration of HK\$42,000,000. The sole asset held by Honest Talents was the contractual right to acquire the technology of rhSCF. The acquisition had been accounted for by the purchase method of accounting.

| | 31.12.2004 HK\$'000 | 31.3.2004 HK\$'000 |
|------------------------|--------------------------------------|-----------------------|
| Net assets acquired: | | |
| Other asset | - | 47,500 |
| Deferred tax liability | - | (5,500) |
| | <hr/> | <hr/> |
| Consideration | - | 42,000 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Satisfied by: | | |
| Cash | - | 40,500 |
| Other payable | - | 1,500 |
| | <hr/> | <hr/> |
| | - | 42,000 |
| | <hr/> <hr/> | <hr/> <hr/> |

For the nine months ended 31st December, 2004

25. PURCHASE OF A SUBSIDIARY (Continued)

Analysis of the net outflow of cash and cash equivalents in connection with the purchase of a subsidiary:

| | 31.12.2004 <i>HK\$'000</i> | 31.3.2004 <i>HK\$'000</i> |
|--|--------------------------------------|------------------------------|
| Net outflow of cash and cash equivalents in respect of cash consideration paid | <u> -</u> | <u> 40,500</u> |

The subsidiary acquired during the year ended 31st March, 2004 did not have significant contribution to the Group's turnover and loss from operation.

26. CAPITAL COMMITMENTS

During the period, the Group entered into a letter of intent to acquire not less than 51% equity interests in Gu Jiao Yi Yi Mei Jiao Company Limited ("Gu Jiao"), for a cash consideration of approximately RMB160 million. Gu Jiao is a company incorporated in the PRC and is mainly engaged in the business of processing and sale of coke and its by-products in the PRC.

27. OPERATING LEASE ARRANGEMENTS

The Group has made approximately HK\$1,047,000 (1.4.2003 to 31.3.2004: HK\$1,522,000) minimum lease payments under operating leases during the period/year in respect of office premises.

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

| | THE GROUP | | THE COMPANY | |
|--|--------------------------------------|------------------------------|--------------------------------------|------------------------------|
| | 31.12.2004 <i>HK\$'000</i> | 31.3.2004 <i>HK\$'000</i> | 31.12.2004 <i>HK\$'000</i> | 31.3.2004 <i>HK\$'000</i> |
| Within one year | 641 | 1,097 | - | 86 |
| In the second to fifth years inclusive | 444 | 607 | - | - |
| | <u>1,085</u> | <u>1,704</u> | <u>-</u> | <u>86</u> |

Leases are negotiated for a range of one to two years and rentals are fixed for a range of one to two years.

For the nine months ended 31st December, 2004

28. PLEDGE OF ASSETS

At the balance sheet date, the Group's bank deposits of HK\$200,000 (31.3.2004: HK\$200,000) were pledged to banks to secure general banking facilities granted to the Group. In addition, the Group had pledged its entire Promoters' Shares (note 17) with carrying amount of approximately HK\$16,800,000 to the subscriber of the redeemable convertible bonds.

29. MAJOR NON-CASH TRANSACTION

During the period ended 31st December, 2004, the Group settled the consultancy service fees in relation to identifying potential coke projects in the PRC through the issue of 402,000,000, share options in the current period as set out in note 22(b).

30. RETIREMENT BENEFIT SCHEMES

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

For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by the employees.

The ORSO Scheme is funded by monthly contributions from both employees and the Group at 5% of the employee's basic salary.

Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. The Group had forfeited contribution amounted to approximately HK\$38,000 for the nine months from 1st April, 2004 to 31st December, 2004 (1.4.2003 to 31.3.2004: Nil). At the balance sheet date, there were no significant forfeited contributions, which arose upon employees leaving the ORSO Scheme and which are available to reduce the contributions payable in future years.

For the nine months ended 31st December, 2004

30. RETIREMENT BENEFIT SCHEMES (Continued)

The total cost charged to consolidated income statement of approximately HK\$124,000 (1.4.2003 to 31.3.2004: HK\$218,000) represents contributions payable to these schemes by the Group in respect of the current period/year.

31. POST BALANCE SHEET EVENT

On 3rd February, 2005, Funeway, a wholly owned subsidiary of the Company, entered into a subscription agreement with Shanxi Changxing. Mr. Yu-wen Jiang Ming ("Mr. Yu-wen") and Ms. Yu-wen Man Rui ("Ms. Yu-wen") were the owners of Shanxi Changxing, whereby, Funeway and Mr. Yu-wen agreed to subscribe for RMB64.26 million (equivalent to approximately HK\$60.62 million) and RMB41.74 million (equivalent to approximately HK\$39.38 million) respectively in the increased registered capital of Shanxi Changxing.

Upon completion of the subscription agreement, Shanxi Changxing will be owned as to 51% by Funeway, as to approximately 44.24% by Mr. Yu-wen and as to approximately 4.76% by Ms. Yu-wen. The completion date would be the fourteenth business day after the conditions precedent in the subscription agreement have been fulfilled or waived (or such other date as mutually agreed in writing between Funeway, Mr. Yu-wen and Ms. Yu-wen).

The principal business of Shanxi Changxing is the manufacture and sale of coke and certain by-products in the PRC, details of which are set out in announcement of the Company dated 3rd February, 2005.