

DISCLOSURE PURSUANT TO PRACTICE NOTE 19 OF THE LISTING RULES

(a) Advances to entities

In March 2000, an amount of HK\$200,000,000 was paid by the Company to Sharp Class International Limited (“Sharp Class”), a company incorporated in the British Virgin Islands, as collection agent, pursuant to the terms of a memorandum of understanding dated 28 February 2000 (the “MOU”) made between the Company and China National Container Corporation (“CNCC”) an independent third party, incorporated in the People’s Republic of China (“PRC”). As a result of the payment of the amount of HK\$200,000,000 (the “earnest money”), the Company had the exclusive right to enter into negotiation with CNCC for the acquisition of a substantial stake in a logistics and distribution network joint venture in the PRC. Pursuant to the MOU, interest of HK\$14,000,000 was accrued up to 31 March 2001. No interest was accrued in the year ended 31 March 2002 because of the uncertainty in recovering the earnest money from Sharp Class. On 1 August 2002, the Company received a letter from CNCC stating that it has not received the earnest money of HK\$200,000,000 paid by the Group nor has CNCC authorised any person to receive such sum from the Group. After careful consideration, the directors decided to make a full provision against the earnest money of HK\$200,000,000 paid to Sharp Class pursuant to the MOU and the accrued interest receivable of HK\$14,000,000 in the year ended 31 March 2002. Deloitte & Touche Corporate Finance Limited (“DTCF”) carried out a limited review and reported its findings to the Group in respect of the earnest money paid to Sharp Class on 5 August 2002. The directors have instructed the legal advisers to the Group to take legal actions to recover the earnest money of HK\$200,000,000 together with the interest of HK\$14,000,000 accrued thereon.

In addition, in July 2001, a total sum of HK\$358,445,000 was paid to Sharp Class by the Group (the “Receivable”) out the settlement of other receivables carried forward from 31 March 2001. In view of the lack of satisfactory documentation and adequate evidence to substantiate the nature, existence, substance and recoverability of the Receivable, the directors decided to make a full provision in respect of the Receivable in the financial statements for the year ended 31 March 2002. DTCF carried out a limited review and reported its findings to the Group in respect of the Receivable on 5 August 2002. On 7 September 2002, the Group commenced legal actions against Sharp Class and Mr. Lo Chu Kong, the former chief executive officer and one of the authorized bank signatories of China-eDN.com Limited, a 70% subsidiary of the Company, which made the payments totalling HK\$308,445,000 to Sharp Class. On 4 November 2002, the Group also commenced legal actions against Sharp Class, Mr. Yuen Wai (the former Chairman of the Company) and Mr. Chung Ho (formerly an executive director and currently a non-executive director of the Company) for the recovery of HK\$50,000,000 advanced to Sharp Class.

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(Continued)

(b) Proforma balance sheet of associate

	30 September 2002 (Unaudited) HK\$'000
Long-term investments	606,467
Current assets	726
Current liabilities	<u>(961)</u>
Net current liabilities	(235)
Non-current liabilities	
Shareholders' loans	<u>(608,705)</u>
Net liabilities	<u><u>(2,473)</u></u>
Group's share of net liabilities	<u><u>(791)</u></u>

By order of the Board

Li Tiefeng*Executive Director*

Hong Kong, 23 December 2002

Website: www.chinalogisticsgroup.com