

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange of Hong Kong Limited ("Stock Exchange").

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 March 2004. The unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

3. SEGMENT INFORMATION

Business segment

The Group was principally engaged in the business of apparel trading, securities trading, strategic investments, operation of container depots and provision of logistics management services, provision of freight forwarding and vessels operating common carrier services. In March 2004, the Group entered into two sale and purchase agreements to dispose of United Asia Terminal Holdings Limited ("United Asia") and its subsidiaries and Jungjin Logistics Development Limited ("Jungjin Logistics") and its subsidiaries which were principally engaged in operation of container depot and logistics management services, freight forwarding and vessel operating common carrier services. These two agreements were completed in April 2004. Accordingly, these two operations had been discontinued since April 2004.

Principal activities are as follows:

	Continuing operations			Discontinued operations		
	Apparel trading HK\$'000	Securities trading HK\$'000	Strategic investments and others HK\$'000	Operation of container depots and logistics management services HK\$'000	Freight forwarding and vessel operating common carrier services HK\$'000	Consolidated HK\$'000
For the six months ended 30 September 2004						
Turnover	46,839	39,118	-	482	1,531	87,970
Segment results	(4,278)	(6)	(22)	88	(228)	(4,446)
Interest income						44
Group overheads						(2,769)
Loss from operations						(7,171)
Finance costs						(663)
Amortisation of goodwill	(921)	-	-	-	-	(921)
Gain/(loss) on disposal of subsidiaries	-	-	-	21,617	(43)	21,574
Impairment loss recognised in relation to the goodwill arising on acquisition of associates	-	-	(1,635)	-	-	(1,635)
Provision for loan receivable	-	-	(459)	-	-	(459)
Share of results of associates	-	-	(1)	-	-	(1)
Profit from ordinary activities before taxation						10,724
Taxation						-
Profit before minority interests						10,724
Minority interests						(35)
Net profit for the Period						10,689

	Continuing operations			Discontinued operations		Consolidated HK\$'000
	Apparel trading HK\$'000	Securities trading HK\$'000	Strategic investments and others HK\$'000	Operation of container depots and logistics management services HK\$'000	Freight forwarding and vessel operating common carrier services HK\$'000	
For the six months ended 30 September 2003						
Turnover	1,113	241	-	10,319	11,402	23,075
Segment results	262	11	-	(102)	(849)	(678)
Interest income						24
Group overheads						(2,815)
Loss from operations						(3,469)
Finance costs						(1,461)
Amortisation of goodwill	(20)	-	(691)	-	-	(711)
Interest in an associate written off	-	-	-	-	(22)	(22)
Share of results of associates	-	-	121	-	-	121
Loss from ordinary activities before taxation						(5,542)
Taxation						(402)
Loss before minority interests						(5,944)
Minority interests						155
Net loss for the period						(5,789)

4. LOSS FROM OPERATIONS

	Six months ended 30 September	
	2004 HK\$'000	2003 HK\$'000
Loss from operations has been arrived at after charging/(crediting):		
Cost of inventories sold	22,041	420
Depreciation	532	2,075
Loss on write-off of property, plant and equipment	29	863
Rental income	(660)	-
Royalty income	(888)	-
	20,054	3,368

5. TAXATION

	Six months ended 30 September	
	2004 HK\$'000	2003 HK\$'000
The taxation charge comprises:		
Hong Kong Profits Tax		
Under-provision in prior years	-	350
Deferred tax		
Current period	-	52
	-	402

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits for both periods. Provision for income tax in respect of operations in overseas has not been made as the Group did not generate any assessable profits in the respective jurisdictions for both periods.

6. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings per share is based on the net profit for the Period of approximately HK\$10,689,000 (30 September 2003: loss of approximately HK\$5,789,000) and on the weighted average number of approximately 364,308,000 ordinary shares (30 September 2003: weighted average number of approximately 197,828,000 ordinary shares) in issue during the Period.

No disclosure of diluted earnings per share has been presented as there was no dilutive potential ordinary shares in issue during the Period.

Diluted loss per share has not been presented as the exercise of the outstanding share options and warrants had an anti-dilutive effect on the basic loss per share for the corresponding period.

7. GOODWILL

	<i>HK\$'000</i>
At 1 April 2004	8,276
Amortisation	(921)
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At 30 September 2004	7,355
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Goodwill is amortised on a straight line basis over its useful life of five years.

8. PROPERTY, PLANT AND EQUIPMENT

	<i>HK\$'000</i>
Net book value at 31 March 2004	64,334
Additions	292
Disposal of subsidiaries	(62,953)
Written off	(29)
Depreciation	(532)
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Net book value at 30 September 2004	1,112
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9. INTERESTS IN UNCONSOLIDATED SUBSIDIARIES

	At 30 September 2004 <i>HK\$'000</i>	At 31 March 2004 <i>HK\$'000</i>
Interests stated at carrying value	12,201	12,201
Less: Impairment losses	(4,676)	(4,676)
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	7,525	7,525
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Amounts due to unconsolidated subsidiaries	(7,525)	(7,525)
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Particulars of the unconsolidated subsidiaries held by the Group at 30 September 2004 are as follows:

Name	Place of registration and operations	Percentage of equity attributable to the Group
Beijing Capital Asia International Bonded Affairs Development Co., Ltd. ("Bonded Affairs")	The People's Republic of China ("PRC")	70%
Shanghai Fuda Jewellery Company Limited ("Fuda")	PRC	57%

The Group has been unable to exercise its rights as a major shareholder of Bonded Affairs and Fuda throughout the Period. Accordingly, the Group has been unable either to control the assets and operations or to exercise significant influence over the financial and operating policy decisions of both Bonded Affairs and Fuda. In view of the above, the financial statements of Bonded Affairs and Fuda have not been consolidated. Based on the latest information available to the Directors, the respective principal activities of Bonded Affairs and Fuda are general trading and jewellery subcontracting.

The Directors, to their best knowledge, are satisfied that the Group has no material obligations or commitments either in respect of Bonded Affairs or Fuda that require either adjustment to or disclosure in these consolidated financial statements.

The Group has not been able to obtain the financial information since the loss of effective control of Bonded Affairs and Fuda.

10. INTERESTS IN ASSOCIATES

	At 30 September 2004 HK\$'000	At 31 March 2004 HK\$'000
Share of net liabilities	(777)	(776)
Goodwill	-	1,635
Amounts due from associates	35,230	35,230
	34,453	36,089
Less: Impairment losses	(34,680)	(34,680)
	(227)	1,409

The amounts due from associates are unsecured, interest free and have no fixed terms of repayment.

The movement of goodwill arising on acquisition of associates are analysed as follows:

	<i>HK\$'000</i>
At 1 April 2004	1,635
Impairment loss recognised in relation to the goodwill arising on acquisition of associates	(1,635)
At 30 September 2004	-

Due to most of the PRC partnering institutes still put their development activities on hold, the development of providing higher education programs to mature students in the PRC was slower than expected. An impairment loss of approximately HK\$1,635,000 of the goodwill on acquisition of Global Institutes, Inc. ("Global Institute") is provided for the Period accordingly.

11. INVENTORIES

	At 30 September 2004 HK\$'000	At 31 March 2004 HK\$'000
Merchandise goods for sales	48,290	47,971

12. TRADE AND OTHER DEBTORS, DEPOSITS AND PREPAYMENTS

The Group allows a credit period normally ranging from cash on delivery to 90 days to its trade customers.

At 30 September 2004, the balance of trade and other debtors, deposits and prepayments included trade debtors of approximately HK\$9,111,000 (31 March 2004: HK\$13,476,000). The aged analyses of trade debtors, net of provision for bad and doubtful debts at the reporting dates are as follows:

	At 30 September 2004 HK\$'000	At 31 March 2004 HK\$'000
0 – 60 days	7,927	10,902
61 – 90 days	654	651
91 – 180 days	530	1,259
181 – 365 days	–	528
Over 1 year	–	136
	9,111	13,476

13. TRADE AND OTHER CREDITORS

At 30 September 2004, the balance of trade and other creditors included trade creditors of approximately HK\$510,000 (31 March 2004: HK\$6,006,000). The aged analyses of the trade creditors at the reporting dates are as follows:

	At 30 September 2004 HK\$'000	At 31 March 2004 HK\$'000
0 – 60 days	510	4,706
61 – 90 days	–	318
91 – 180 days	–	449
181 – 365 days	–	83
Over 1 year	–	450
	510	6,006

Included in other creditors is an aggregate amount of approximately HK\$595,000 (31 March 2004: HK\$1,122,000) representing accrued salaries due to Mr. Tsai Bobby Sung-En, a former Director of the Company.

14. SHORT TERM LOAN

A loan of approximately HK\$22,144,000 from an independent third party which is bearing interest at 1% per annum over bank's best lending rate and due in September 2005. The loan is secured by a pledge of all issued shares capital in and the shareholder loan to Full Ahead Limited ("Full Ahead"), a wholly-owned subsidiary of the Group. Full Ahead is the holding company of the subsidiaries which are mainly engaged in apparel trading.

15. SHARE CAPITAL

	Number of shares	HK\$'000
Authorised:		
At 1 April 2003: Ordinary shares of HK\$0.10 each	3,000,000,000	300,000
Share Subdivision (Note (a)(iii)), ordinary shares of HK\$0.001 each	297,000,000,000	–
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At 31 March 2004 and 30 September 2004:		
Ordinary shares of HK\$0.001 each	300,000,000,000	300,000
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Issued and fully paid:		
At 1 April 2003:		
Ordinary shares of HK\$0.10 each	1,521,541,315	152,154
Capital Reduction (Note (a)(i))	–	(152,002)
Share Consolidation (Note (a)(ii))	(1,369,387,184)	–
Rights Issue of shares (Note (b))	152,154,131	152
Top-up Placement (Note (c))	60,000,000	60
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At 31 March 2004 and 30 September 2004:		
Ordinary shares of HK\$0.001 each	364,308,262	364
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(a) Pursuant to the special resolutions passed at a special general meeting held on 9 July 2003 and taking effect on 10 July 2003:

- (i) The paid up capital of each of the issued shares was reduced from HK\$0.10 to HK\$0.0001 each by the cancellation of HK\$0.0999 of the paid up capital on each issued share ("Capital Reduction"). As a result of the Capital Reduction, based upon 1,521,541,315 issued shares, an amount of approximately HK\$152,002,000 from the share capital account of the Company was cancelled and

credited to the contribution surplus account of the Company. The contributed surplus was then applied to eliminating part of the accumulated losses.

- (ii) Every 10 issued reduced shares of HK\$0.0001 each immediately after the Capital Reduction were consolidated into one new share of HK\$0.001 each ("Share Consolidation").
 - (iii) Each authorised but unissued share of HK\$0.10 each in the capital of the Company (including the authorised but unissued shares arising from the Capital Reduction) was subdivided into 100 new shares of HK\$0.001 each ("Share Subdivision"). Following the Capital Reduction, Share Consolidation and Share Subdivision, the authorised but unissued share capital and issued share capital of the Company became 299,847,845,869 and 152,154,131 new shares respectively.
- (b) On 5 August 2003, 152,154,131 new shares of HK\$0.001 each were issued by way of rights issue ("Rights Issue") at an issue price of HK\$0.30 per rights share in the proportion of one rights share for every one share then held to provide additional working capital to the Company. These new shares rank pari passu in all respects with the then existing shares of the Company. The premium arose from the Rights Issues of approximately HK\$44,423,000, net of Rights Issue expenses of approximately HK\$1,071,000 was credited to the share premium account (Note 16).
- (c) Pursuant to a placing agreement and a subscription agreement both dated 7 November 2003, Leopard Vision Limited ("Leopard Vision"), a substantial shareholder of the Company, agreed to place 60,000,000 ordinary shares of the Company at HK\$0.25 per share to independent investors and, in turn, subscribed for 60,000,000 new shares ("Subscription") in the Company at the same price to provide additional working capital to the Company ("Top-up Placement"). The allotment of new shares was completed on 21 November 2003. These new shares rank pari passu in all respects with the then existing shares of the Company. The premium arose from the Subscription of approximately HK\$14,647,000, net of share issuing expenses of approximately HK\$293,000, was credited to the share premium account (Note 16).

16. RESERVES

	Share premium	Contributed surplus	Other property revaluation reserve	Translation reserve	Negative goodwill reserve	Goodwill reserve	Capital redemption reserve	Other reserve	Accumulated losses	Total
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
THE GROUP										
At 1 April 2003										
- as previously reported	615,825	-	33,313	1,085	27,314	(1,843)	1,190	33,392	(817,762)	(107,486)
- prior year adjustments in respect of change in accounting policy										
- deferred taxation	-	-	(8,995)	13	-	-	-	-	6,199	(2,783)
- as restated	615,825	-	24,318	1,098	27,314	(1,843)	1,190	33,392	(811,563)	(110,269)
Deficit on revaluation of leasehold properties	-	-	(7,204)	-	-	-	-	-	-	(7,204)
Deferred taxation credited to equity	-	-	1,945	-	-	-	-	-	-	1,945
Transfer from share capital due to Capital Reduction (Note 15(a)(i))	-	152,002	-	-	-	-	-	-	-	152,002
Transfer between reserves (Note 15(a)(i))	-	(152,002)	-	-	-	-	-	-	152,002	-
Premium arising from Rights Issue, net of expenses (Note 15(b))	44,423	-	-	-	-	-	-	-	-	44,423
Premium arising from Top-up Placement, net of expenses (Note 15(c))	14,647	-	-	-	-	-	-	-	-	14,647
Exchange difference arising on translation of operations outside Hong Kong	-	-	-	(136)	-	-	-	-	-	(136)
Reserves attributable to minority interests	-	-	2,104	54	-	-	-	-	-	2,158
Reserves realised upon disposal of a subsidiary	-	-	-	(8)	-	-	-	-	-	(8)
Reserve realised upon interest in an associate written off	-	-	-	(16)	-	-	-	-	-	(16)
Reserve realised upon expiry of warrants	-	-	-	-	-	-	-	(33,392)	-	(33,392)
Net loss for the year	-	-	-	-	-	-	-	-	(5,043)	(5,043)
At 31 March 2004	674,895	-	21,163	992	27,314	(1,843)	1,190	-	(664,604)	59,107
For the six months ended 30 September 2004										
At 1 April 2004										
- as previously reported	674,895	-	21,163	992	27,314	(1,843)	1,190	-	(664,604)	59,107
Reserves realised upon disposal of subsidiaries	-	-	(21,163)	(983)	(327)	1,843	-	-	-	(20,630)
Net profit for the Period	-	-	-	-	-	-	-	-	10,689	10,689
At 30 September 2004	674,895	-	-	9	26,987	-	1,190	-	(653,915)	49,166

	Share premium	Other property revaluation reserve	Translation reserve	Negative goodwill reserve	Goodwill reserve	Capital redemption reserve	Other reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended 30 September 2003									
At 1 April 2003									
- as previously reported	615,825	33,313	1,085	27,314	(1,843)	1,190	33,392	(817,762)	(107,486)
- prior period adjustments in respect of change in accounting policy									
- deferred taxation	-	(8,995)	13	-	-	-	-	6,199	(2,783)
- as restated	615,825	24,318	1,098	27,314	(1,843)	1,190	33,392	(811,563)	(110,269)
Deficit on revaluation of leasehold properties	-	(7,073)	-	-	-	-	-	-	(7,073)
Reversal of deferred taxation arising on revaluation of leasehold properties	-	2,334	-	-	-	-	-	-	2,334
Transfer from share capital due to Capital Reduction (Note 15(a)(i))	-	-	-	-	-	-	-	152,002	152,002
Premium arising from Rights Issue, net of expenses (Note 15(b))	44,423	-	-	-	-	-	-	-	44,423
Exchange difference arising on translation of operations outside Hong Kong	-	-	(213)	-	-	-	-	-	(213)
Reserves attributable to minority shareholders	-	1,895	132	-	-	-	-	-	2,027
Share of movement of reserve of associates	-	-	(16)	-	-	-	-	-	(16)
Net loss for the period	-	-	-	-	-	-	-	(5,789)	(5,789)
At 30 September 2003	660,248	21,474	1,001	27,314	(1,843)	1,190	33,392	(665,350)	77,426

17. CONTINGENCIES AND COMMITMENTS

(a) Litigation

On the balance sheet date, the Group had the following contingent liabilities:

- (a) On 9 April 2002, an action had been commenced in HCCL 18 of 2002 (the "1st Action") by Wedge Marine Limited against the Company (as 1st Defendant) and two other defendants for the respective sums of approximately US\$408,000 and GBP107,000 together with interest and costs. The claim in the 1st Action was in connection with damages together with interest and cost previously

claimed for the unpaid charter hire of vessel by a former subsidiary of the Company in which the Company was then claimed as having guaranteed the performance and payments of this former subsidiary. The 1st Action has been set down for trial in May 2005. Based on the legal advice obtained, the Directors strongly believed that the Group and the Company have reasonable good chances of successfully defending the 1st Action. Hence, no provision had been made in the unaudited condensed consolidated financial statements.

- (b) On 13 March 2003, Total Resources Limited ("Total Resources") issued a Writ of Summons at the District Court (the "2nd Action") against the Company for HK\$304,000 being fees allegedly due to Total Resources for secondment services in relation to provision of company secretary under a service agreement dated 1 August 2001 ("Service Agreement"). On 2 May 2003, Total Resources amended its Statement of Claim and then increased its claim to HK\$1,064,000 being damages for repudiation of the Service Agreement. On 20 May 2003, an Order was granted by the District Court for the 2nd Action to be transferred to the High Court.

The sum of approximately HK\$343,000 representing outstanding services fees together with interest was paid to the High Court on 21 April 2004 in satisfaction of Total Resources' claims. Based on the legal advice obtained, the Directors strongly believe that the Group and the Company have reasonable chances of successfully defending the remaining part of the claim. Hence, no further provision has been made in the unaudited condensed consolidated financial statements.

(b) Capital commitments

	At 30 September 2004 HK\$'000	At 31 March 2004 HK\$'000
Capital expenditure contracted for but not provided in the unaudited condensed consolidated financial statements in respect of:		
Acquisition of properties in Malaysia	105,281	105,281

18. RELATED PARTY TRANSACTIONS

Save as disclosed in the unaudited condensed consolidated balance sheet and in Note 13 above in relation to balances with related parties at the balance sheet date, the Group did not have any significant related party transactions during the both periods.

19. DISPOSAL OF SUBSIDIARIES AND LOAN DUE FROM SUBSIDIARIES

During the Period, the Group disposed of its entire 60% interest in United Asia and the amount due from United Asia to the Group and its entire 100% interest in Jungjin Logistics and the amount due from Jungjin Logistics to the Group.

Net liabilities disposed of:

	<i>HK\$'000</i>
Net liabilities disposed of	(41,728)
Amounts due from United Asia and Jungjin Logistics	76,939
Reserves realised	(20,630)
Gain on disposal of subsidiaries	21,574
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Total consideration – satisfied by cash	36,155
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Net cash inflow arising on disposal of subsidiaries:

	<i>HK\$'000</i>
Cash consideration	36,155
Bank balances and cash disposal of cash consideration	(1,853)
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Net inflow of cash and cash equivalents	34,302
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The subsidiaries disposed of did not make any significant contribution to the results of the Group during the Period.

20. EVENTS AFTER THE BALANCE SHEET DATE

Placing of New Shares

On 17 November 2004, the Company entered into a placing agreement with a placing agent to place in aggregate 72,800,000 new shares to not less than six independent investors at a price of HK\$0.095 per new share.

Upon completion of placement on 15 December 2004, 72,800,000 shares of HK\$0.001 each were issued and allotted to six independent investors at a consideration of HK\$0.095 per share. Net proceeds derived from subscription of approximately HK\$6.8 million would be used by the Company for general working capital of the Group or for future investment purposes.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the Period (2003: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

For the Period, the Group recorded a consolidated turnover of approximately HK\$88.0 million as compared with approximately HK\$23.1 million for the last corresponding period, which represented an increase of approximately 281%. Loss from operations increased from approximately HK\$3.5 million in the last corresponding period to approximately HK\$7.2 million for the Period. Due to a gain on disposal of subsidiaries of approximately HK\$21.6 million, the Group recorded a consolidated profit of approximately HK\$10.7 million as compared with a consolidated loss of approximately HK\$5.8 million for the last corresponding period.