

CHAIRMAN'S MESSAGE

In the six months ended 30th September, 2004, the Group continued to consolidate its existing operations and has paved the way for the development of a long-term stable income source. Despite adjustment in the Group's turnover and operational loss, the Group managed to further strengthen its cash flow and maintain a healthy balance sheet with no long-term liability.

As there had not been a strong core business to provide a stable recurrent income for the Group, it experienced a declined turnover and enlarged net loss. However, the freight forwarding business of the Group had shown an encouraging improvement and reported a gross profit during the period under review.

Following the existing major shareholders and management team's taking over control of the Company in November 2001, they have been striving to identify and secure new revenue sources and profit centres to sustain the Group's development. As reported before, the Group has entered into a Memorandum of Understanding with Gu Jiao Yi Yi Mei Jiao Company Limited ("Gu Jiao") to acquire Gu Jiao's coking business in Shanxi in July 2004. Negotiation on the aforementioned acquisition is still underway. The Group has engaged various professional parties in due diligence work, and would keep its shareholders informed of the latest development in this intended transaction.

The Group is optimistic about its expansion into coking business in the PRC. Due to rapid expansion of iron and steel industry in the PRC, consumption rate of coke increased by 25 per cent in the first half of 2004. The coke market in the PRC is expected to grow steadily with rising demand for coke in the upcoming 15 years. Based on these factors, the Group considers its investment in coking industry in the PRC beneficial to its future growth in terms of generating stable and substantial income.

As the Group has identified the PRC coking industry as an area for its future long-term investment, it will continue to seek other investment opportunities in this industry.

After book close, the Group has entered into a subscription agreement on the issue of up to US\$10 million unlisted redeemable convertible bonds ("CB"). The proceeds derived from the CB will be used to fund the Company's proposed investment in the coking industry in the PRC.

To ensure the maximisation of shareholders' value, the Group is committed to expanding its business by capturing emerging market opportunities in a prudent manner.

Wang Jian Hua

Chairman

Hong Kong, 17th December, 2004