

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2004

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with the Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March, 2004.

3. SEGMENTAL INFORMATION

For management purposes, the Group is currently organised into the following divisions. These are the basis on which the Group reports its primary segment information.

Business segments

For the six months ended 30th September, 2004

	Investment securities HK\$'000	International air and sea freight forwarding HK\$'000	Consolidated HK\$'000
Turnover			
External	<u>–</u>	<u>5,649</u>	<u>5,649</u>
Results			
Segment results	<u>282</u>	<u>(28)</u>	254
Unallocated corporate expenses			(6,811)
Interest income			<u>574</u>
Loss from operations			(5,983)
Finance costs			–
Share of results of an associate			<u>(4,586)</u>
Loss before taxation			<u>(10,569)</u>

For the six months ended 30th September, 2003

	Investment securities <i>HK\$'000</i>	International air and sea freight forwarding <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover			
External	<u>29,458</u>	<u>5,827</u>	<u>35,285</u>
Results			
Segment results	<u>5,206</u>	<u>(13)</u>	5,193
Unallocated corporate expenses			(5,999)
Interest income			<u>576</u>
Loss from operations			(230)
Finance costs			(25)
Share of results of an associate			<u>(2,428)</u>
Loss before taxation			<u>(2,683)</u>

4. LOSS FROM OPERATIONS

	Six months ended 30th September,	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Loss from operations has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	196	194
Loss on disposal of investments in securities	–	1,798
Unrealised holding gain on investments in securities	–	(6,908)
Interest income	(574)	(576)
Dividend income from investments in securities	<u>(282)</u>	<u>–</u>

5. TAXATION

No provision for Hong Kong Profits Tax has been made in the condensed financial statements for the period ended 30th September, 2004 as the Group has no assessable profits arising in Hong Kong.

No provision for Hong Kong Profits Tax had been made in the condensed financial statements for the period ended 30th September, 2003 as there were available tax losses brought forward to offset the estimated assessable profits arising in Hong Kong.

The taxation charge for the period ended 30th September, 2003 represented the taxation in other jurisdictions of which was calculated at the rates prevailing in the respective jurisdictions.

6. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the period of HK\$10,569,000 (2003: HK\$2,786,000 for the six months ended 30th September, 2003) and on 4,402,381,660 ordinary shares (4,402,381,660 ordinary shares for the six months ended 30th September, 2003) in issue during the period.

The diluted loss per share is not shown as the exercise of the share options would result in a decrease in the loss per share for both periods.

7. MOVEMENTS IN INVESTMENT PROPERTY AND PROPERTY, PLANT AND EQUIPMENT

The Group did not incur any expenditure on its property, plant and equipment during the period ended 30th September, 2004.

The Group's investment property was revalued by an independent firm of professional property valuers at 31st March, 2004. The directors considered that there was no material change in the market value of the investment property since last balance sheet date.

8. INVESTMENTS IN SECURITIES

There was no movement in the Group's investments in securities for the period ended 30th September, 2004.

9. 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:

	30.9.2004 <i>HK\$'000</i>	31.3.2004 <i>HK\$'000</i>
0-30 days	1,826	643
31-60 days	212	298
61-90 days	166	341
Over 90 days	194	361
	<hr/>	<hr/>
	2,398	1,643
Add: Deposits and prepayments	1,615	1,201
	<hr/>	<hr/>
	4,013	2,844
	<hr/> <hr/>	<hr/> <hr/>

10. SHORT TERM RECEIVABLES

At 30th September, 2004, the amounts are unsecured and carry interest at Hong Kong Prime Rate plus 2% or Hong Kong Prime Rate plus 7.5%. Included in amounts, there was HK\$5,430,000 settled subsequent to the period ended 30th September, 2004 while the remaining balances will be matured in March 2005.

At 31st March, 2004, the amounts were unsecured, carried interest at Hong Kong Prime Rate plus 4% and were fully settled during the period ended 30th September, 2004.

11. CREDITORS, ACCRUED CHARGES AND OTHER PAYABLES

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

	30.9.2004 <i>HK\$'000</i>	31.3.2004 <i>HK\$'000</i>
0-30 days	1,651	598
31-60 days	69	54
61-90 days	68	104
Over 90 days	1,929	1,816
	3,717	2,572
Add: Accrued charges and other payables	3,633	8,317
	7,350	10,889

12. SHARE CAPITAL

	Number of shares <i>'000</i>	Value <i>HK\$'000</i>
Ordinary shares of HK\$0.05 each		
<i>Authorised:</i>		
At 1st April, 2004 and 30th September, 2004	<u>12,000,000</u>	<u>600,000</u>
<i>Issued and fully paid:</i>		
At 1st April, 2004 and 30th September, 2004	<u>4,402,381</u>	<u>220,119</u>

13. OTHER COMMITMENTS

As at 30th September, 2004, the Group was committed to pay a consultancy fee of HK\$1,600,000 (2003: Nil) for the corporate consultancy services to be provided to the Group.

14. SUBSEQUENT EVENTS

The following significant events have occurred subsequent to the balance sheet date:

- (a) On 5th October, 2004, a total of 240,000,000 share options were granted to the staff and other business associates of the Group in accordance with the share option scheme adopted on 18th March, 2002; and
- (b) On 2nd December, 2004, the Company entered into the Subscription Agreement with an independent third party to issue two redeemable convertible bonds in aggregate principal amount of US\$5,000,000 and the Company granted an option to the subscriber for subscription of a further two bonds in the aggregate principal amount of up to US\$5,000,000. Each 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 bond. The conversion price is HK\$0.089 per share if the conversion rights are exercised within 3 months from the issue date of the relevant bonds; or at the floating conversion price if the conversion rights are exercised after 3 months from the issue date of the relevant bonds. A total of 876,404,492 shares will be allotted and issued upon the conversions in full of the convertible bonds. The Subscription Agreement was completed on 16th December, 2004.

Details of the above transaction are set out in announcement dated 3rd December, 2004.