NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2005

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In February 2005, the financial year end date of the Company was changed from 31st March to 31st December to coincide 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 PRC. Details of the acquisition are set out in note 15. Such alignment will facilitate the preparation of the Group's consolidated financial statements. No further changes to reporting dates are anticipated. The current interim period covers the six months period from 1st January, 2005 to 30th June, 2005. Accordingly, the comparative amounts shown for the condensed consolidated income statement, condensed consolidated cash flow statement, condensed consolidated statement of changes in equity and related notes covered the period of six months from 1st April, 2004 to 30th September, 2004.

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 Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared on the historical cost basis except for certain investment properties and financial instruments, which are measured at fair values.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the nine months ended 31st December, 2004 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented.

Business combinations

In the current period, the Group has applied HKFRS 3 "Business Combinations", which is effective for business combinations for which the agreement date is on or after 1st January, 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisitions prior to 1st April, 2001 was held in reserves, and negative goodwill arising on acquisitions after 1st April, 2001 was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group has derecognised all negative goodwill in relation to an associate at 1st January, 2005, which amounted to approximately HK$1,713,000 and previously presented as a deduction from interests in associates, with a corresponding decrease to deficit.

Share-based Payments

In the current period, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options ("Employee Share Options") of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of Employee Share Options until they were exercised. In relation to the share options granted to the independent consultants during the nine months ended 31st December, 2004, the Group applied the general principles in HKFRS 2 for the recognition of that equity-settled transaction. The Group has applied HKFRS 2 to share options (if any) granted on or after 1st January, 2005. In relation to Employee Share Options granted before 1st January, 2005, the Group has not applied HKFRS 2 to Employee Share Options granted on or before 7th November, 2002 and Employee Share Options that were granted after 7th November, 2002 and had vested before 1st January, 2005 in accordance with the relevant transitional provisions. No share option has been granted during current period. The adoption of HKFRS 2 has had no material effect on the results for the current or prior accounting period. Accordingly, no prior period adjustment has been made.

Financial Instruments

In the current period, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Convertible bonds

HKAS 32 requires an issuer of a compound financial instrument (that contains both financial liability and equity components) to separate the compound financial instrument into its liability and equity components on its initial recognition and to account for these components separately, or in the case that the settlement were not at fixed number of equity instrument, the accounting standard requires the issuer to recognise the compound financial instrument in the form of financial liability with embedded derivatives. The Group has applied HKAS 32 on the convertible bonds issued by the Company in the prior and current periods. The adoption on the result for HKAS 32 has had no material effect of the current or prior period. Accordingly, no prior period adjustment has been made.

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31st December, 2004, the Group classified and measured its investments in equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 "Accounting for Investments in Securities" ("SSAP 24"). Under SSAP 24, the Group's investments in equity securities are classified as "investment securities" or "other investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in the income statement. From 1st January, 2005 onwards, the Group classifies and measures its investments in equity securities in accordance with HKAS 39. Under HKAS 39, the Group's financial assets are classified as "financial assets at fair value through income statement" or "available-for-sale financial assets". The classification depends on the purpose for which the assets are acquired. "Financial assets at fair value through income statement" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in income statement and equity respectively.

On 1st January, 2005, the Group classified and measured its investments in equity securities in accordance with the requirements of HKAS 39. These changes have had no material effect on the previous carrying amounts of assets and liabilities at 1st January, 2005.

Financial Instruments - continued

Financial assets and financial liabilities other than debt and equity securities

From 1st January, 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. Financial assets under HKAS 39 are classified as "financial assets at fair value through income statement", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through income statement" or "financial liabilities other than financial liabilities at fair value through income statement (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method. The adoption of HKAS 39 has had no material effect on the Group's deficit.

Derivatives

From 1st January 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives including embedded derivatives are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The corresponding adjustments on changes in fair values would depend on whether the derivatives are designated as effective hedging instruments, and if so, the nature of the item being hedged. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the period in which they arise. The Group has applied the relevant transitional provisions in HKAS 39. For embedded derivatives that meet the requirements of recognition set out in HKAS 39, the Group has, from 1st January, 2005 onwards, applied the recognition in accordance with HKAS 39 to account for such embedded derivatives, the financial impact of which is set out in note 2A.

Derecognition

HKAS 39 provides more rigorous criteria for the derecognition of financial assets than the criteria applied in previous periods. Under HKAS 39, a financial asset is derecognised, when and only when, either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for derecognition in accordance with HKAS 39. The decision as to whether a transfer qualifies for derecognition is made by applying a combination of risks and rewards and control tests. The Group has applied the relevant transitional provisions and applied the revised accounting policy prospectively for transfers of financial assets on or after 1st January, 2005. This change has had no material effect on the result for the current period.

Investment Property

In the current period, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment property which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous periods, investment property under the predecessor accounting standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1st January, 2005 onwards. The adoption of HKAS 40 has had no material effect on the result for the current accounting period.

Deferred Taxes related to Investment Property

In previous periods, deferred tax consequences in respect of revalued investment property were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the property through sale in accordance with the predecessor interpretation. In the current period, the Group has applied HKAS Interpretation 21 "Income Taxes – Recovery of Revalued Non-Depreciable Assets" which removes the presumption that the carrying amount of investment property is to be recovered through sale. Therefore, the deferred tax consequences of the investment property are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HKAS Interpretation 21, this change in accounting policy has been applied retrospectively. The adoption of HKAS Interpretation 21 has had no material effect on the results for the current or prior accounting period. Accordingly no prior period adjustment has been made.

2A. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The cumulative effects of the application of the new HKFRSs as at 1st January, 2005 are summarized as follows:

	As at 31st December, 2004 and 1st January, 2005 (originally stated)	Adjustments	As at 1st January, 2005 (restated)
	HK$'000	*HK$'000*	*HK$'000*
Balance sheet items			
Interests in associates	32,684	1,713	34,397
Embedded derivatives	–	(3,396)	(3,396)
Convertible bonds	(19,500)	1,980	(17,520)
Total effect on assets and liabilities	13,184	297	13,481
Deficit	(235,698)	297	(235,401)

The application of the above new HKFRSs has had no material effect to the Group's equity at 1st April, 2004. The impacts on the results of the changes in the accounting policies described above are as follows:

(i) On results

	1st January, 2005 to 30th June, 2005	1st April, 2004 to 30th September, 2004
	HK$'000	*HK$'000*
Fair value adjustment on embedded derivatives	**9,860**	–
Negative goodwill of an associate no longer released to income	**65**	–
Increase in loss for the period	**9,925**	–

(ii) On income statement items

	1st January, 2005 to 30th June, 2005 HK$'000	1st April, 2004 to 30th September, 2004 HK$'000
Increase in fair value adjustment on embedded derivatives	9,860	–
Decrease in other operating income	65	–
	9,925	–

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the financial statements of the Group.

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS-Int 4	Determining whether an Arrangement Contains a Lease
HKFRS-Int 5	Rights to Interests Arising from Decommissing, Restoration and Environmental Rehabilitation Funds

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 June, 2005

	Investment securities HK$'000	International air and sea freight forwarding HK$'000	Consolidated HK$'000
Turnover			
External	**258**	**5,395**	**5,653**
Results			
Segment results	**(352)**	**333**	**(19)**
Unallocated corporate expenses			**(30,989)**
Interest income			**558**
Finance cost			**(11)**
Share of results of associates			**(6,049)**
Net loss for the period attributable to equity holders of the Company			**(36,510)**

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	–	5,649	5,649
Results			
Segment results	282	(28)	254
Unallocated corporate expenses			(6,811)
Interest income			574
Share of results of an associate			(4,586)
Net loss for the period attributable to equity holders of the Company			(10,569)

4. NET LOSS FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

	1st January, 2005 to 30th June, 2005 ***HK$'000***	1st April, 2004 to 30th September, 2004 *HK$'000*
Net loss for the period attributable to equity holders of the Company has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**187**	196
Loss on disposal of investments held for trading	**139**	–
Interest income	**(558)**	(574)
Dividend income from investments in securities	**–**	(282)

5. TAXATION

No provision for Hong Kong Profits Tax has been made in the condensed financial statements for both periods as the Group has no assessable profits arising in Hong Kong.

6. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the period of HK$36,510,000 (2004: HK$10,569,000 for the six months ended 30th September, 2004) and on the weighted average number of 4,964,566,091 ordinary shares (4,402,381,660 ordinary shares for the six months ended 30th September, 2004) in issue during the period.

The diluted loss per share is not presented as assuming the exercise of the share options and the conversion of the redeemable convertible bonds 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 incurred expenditure of approximately HK$41,000 (for the six months ended 30th September, 2004: nil) on its property, plant and equipment during the period ended 30th June, 2005.

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

8. INVESTMENTS

Investments held for trading

During the six months ended 30th June, 2005, the Group acquired certain investments at considerations of approximately HK$41.3 million and disposed of certain investments with carrying value of approximately HK$0.4 million. The investments represent investments in listed equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair values of these securities are based on quoted market prices and during the period, fair value adjustment of approximately HK$0.2 million loss has been recognised in the condensed consolidated income statement.

Investments at fair value through income statement

During the year ended 31st March, 2002, the Group, through the acquisition of a wholly owned subsidiary, acquired 30,000,000 promoters' shares in Beijing Beida Jade Bird Universal Sci-Technology Company ("BBJB") (the "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 for the year ended 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, the Promoters' Shares were not 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 the 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 under SSAP 24 prior to 1st January, 2005.

On 1st January, 2005, the Group adopted HKAS 39 and designated this investment in Promoters' Shares as financial assets at fair value through income statement. The fair values of these Promoters' Shares are considered with reference to BBJB 's quoted market price and a fair value adjustment of approximately HK$4.5 million loss has been recognised in the condensed consolidated income statement during the period ended 30th June, 2005.

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:

	30.6.2005	31.12.2004
	HK$'000	HK$'000
0-30 days	**1,088**	625
31-60 days	**316**	451
61-90 days	**137**	333
Over 90 days	**98**	59
	1,639	1,468
Add: Deposits and prepayments	**2,552**	878
	4,191	2,346

10. SHORT TERM RECEIVABLES

At 31st December, 2004, the amount was unsecured and carried interest at Hong Kong Prime Rate plus 2% and was due from repayable on 18th March, 2005 to an independent third party. An amount of HK$5,000,000 was settled during the period ended 30th June, 2005 while the maturity date of the remaining balance of approximate HK$4,932,000 has been extended to 18th September, 2005 at the same terms.

11. CREDITORS, ACCRUED CHARGES AND OTHER PAYABLES

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

	30.6.2005	31.12.2004
	HK$'000	HK$'000
0-30 days	**906**	537
31-60 days	**39**	396
61-90 days	**16**	153
Over 90 days	**1,842**	1,830
	2,803	2,916
Add: Accrued charges and other payables	**12,508**	8,112
	15,311	11,028

12. CONVERTIBLE BONDS

On 2nd December, 2004, the Company entered into a subscription agreement with 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 redeemable convertible 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 fair value of HK$12,300,000 (31st December, 2004: HK$16,800,000). The conversion price is HK$0.089 per share at the time of subscription and subjected to changes three months afterwards. A total of 876,404,493 shares will be allotted and issued upon the full conversion of the convertible bonds.

On 16th December, 2004, the Company issued US$2,500,000 (equivalent to approximately HK$19,500,000) redeemable 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 (equivalent to approximately HK$19,500,000) 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 (equivalent to approximately HK$39,000,000).

During the period, the subscriber converted all the redeemable convertible bonds of US$10,000,000 (equivalent to approximately HK$78,000,000) into 876,404,493 ordinary shares of HK$0.05 each in the Company at a conversion price at HK$0.089.

On 1st January, 2005, the Group adopted HKAS 39 and accounted for the embedded derivatives at fair value at each balance sheet date. The embedded derivatives were derecognised on 1st March, 2005, which was the date the subscriber fully exercised the embedded derivatives into the redeemable convertible bonds. The embedded derivatives were fair valued by the management with reference to a valuation report carried out by an independent firm of professional valuers on 1st January, 2005 and 1st March, 2005 at approximately HK$3,396,000 and HK$13,256,000, respectively. The changes in fair value of such embedded derivatives have been recognised in the condensed consolidated income statement during the period ended 30th June, 2005.

The movement of the interest bearing redeemable convertible bonds is as follows:

	HK$'000
Nominal value of convertible bonds issued	19,500
Embedded derivatives	(1,980)
Convertible bonds issued and at 1st January, 2005	17,520
Issue of convertible bonds during the period	58,500
Conversion during the period	(76,020)
Convertible bonds at 30th June, 2005	–

13. SHARE CAPITAL

	Notes	**Number of shares** *'000*	**Value** *HK$'000*
Ordinary shares of HK$0.05 each			
Authorised:			
At 1st January, 2005 and 30th June, 2005		12,000,000	600,000
Issued and fully paid:			
At 1st January, 2005		4,402,381	220,119
Exercise of share options	*(a)*	187,200	9,360
Issue of shares	*(b)*	876,404	43,820
At 30th June, 2005		5,465,985	273,299

Notes:

(a) During the period, the Company issued and allotted 187,200,000 ordinary shares of HK$0.05 each of the Company for cash at HK$0.119, HK$0.0712 and HK$0.07 per share respectively as a result of the exercise of share options.

(b) During the period, the Company issued and allotted a total of 876,404,493 ordinary shares of HK$0.05 each of the Company at a conversion price of HK$0.089 per share upon the conversion of the redeemable convertible bonds in the amount of US$10,000,000 by the subscriber.

The shares issued during the period rank pari passu with the then existing shares in issue in all aspects.

14. CAPITAL COMMITMENTS

During the nine months ended 31st December, 2004, 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.

This transaction is under negotiation up to the date of this report.

15. POST BALANCE SHEET EVENTS

On 3rd February, 2005, Funeway Investments Limited ("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"). Mr. Yu-wen and Ms. Yu-wen are 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 circular of the Company dated 7th June, 2005.

On 27th June, 2005, the Group paid deposit of HK$20,000,000 in respect of this investment in Shanxi Changxing. The deposit is expected to be transferred into an investment cost in Shanxi Changxing upon the date of completion. Pursuant to the terms of the subscription agreement, certain critical conditions have not yet been fulfilled and according to the extension agreement entered into between the above parties on 22nd August, 2005, additional time is required for such fulfilment and therefore the completion date has been extended to 31st October, 2005. Details of which are set out in announcement dated 22nd August, 2005.

The transaction has not yet been completed up to the date of this report.