NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed interim consolidated 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 (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") No. 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed interim consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of 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 31 March 2005 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"), HKAS and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 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. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. 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:

(i) 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 1 January 2005. The principal effects of the application of HKFRS 3 to the Group are summarized below:

Goodwill

In previous periods, goodwill arising on acquisitions after 1 April 2001 was capitalized and amortized over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. With respect to goodwill previously capitalized on the balance sheet, the Group has discontinued amortizing such goodwill from 1 April 2005 onwards and goodwill will be tested for impairment at least annually. As a result of this change in accounting policy, no amortization of goodwill has been charged in the current period. Comparative figures have not been restated.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) Business Combinations *(Continued)*

Goodwill (Continued)

In the current period, the Group has also applied HKAS 21 The Effects of Changes in Foreign Exchange Rates which requires goodwill to be treated as assets and liabilities of the foreign operation and translated at closing rate at each balance sheet date. Previously, goodwill arising on acquisitions of foreign operations was reported at historical rate at each balance sheet date. In accordance with the relevant transitional provisions in HKAS 21, goodwill arising on acquisitions prior to 1 April 2005 is treated as a non-monetary foreign currency item of the Group. Therefore, no prior period adjustment has been made.

(ii) Share-based Payments

In the current period, the Group has applied HKFRS 2 Share-based Payment, which requires an expense to be recognized 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 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 recognize the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 April 2005. In relation to share options granted before 1 April 2005, the Group has not applied HKFRS 2 to share options granted on or before 7 November 2002 and share options that were granted after 7 November 2002 and vested before 1 April 2005 in accordance with the relevant transitional provisions. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7 November 2002 and had not yet vested on 1 April 2005. Comparative figures have been restated.

(iii) 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 1 April 2005, generally does not permit to recognize, derecognize or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarized below:

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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(iii) Financial Instruments *(Continued)*

Classification and measurement of financial assets and financial liabilities (Continued)

By 31 March 2005, the Group classified and measured its equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealized gains or losses included in the income statement. Held-to-maturity investments are carried at amortized cost less impairment losses (if any). From 1 April 2005 onwards, the Group classifies and measures its equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". The classification depends on the purpose for which the assets are acquired. "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognized in income statement and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortized cost using the effective interest method.

On 1 April 2005, the Group classified and measured its equity securities in accordance with the requirements of HKAS 39. Upon the adoption of the HKAS 39, other investments reported under SSAP 24 were classified as financial assets at fair value through profit or loss. Accordingly, no prior period adjustment was required.

(iv) Owner-occupied Leasehold Interest in Land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and stated at cost less depreciation and accumulated impairment losses. In the current period, the Group has applied HKAS 17 Leases. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortized over the lease term on straight-line basis. The financial impact regarding to this change in accounting policy is considered as immaterial and no prior period adjustment has been made. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

3. SEGMENT INFORMATION

	Turnover		Loss from operations	
	Six months ended 30 September		Six months ended 30 September	
	2005 (Unaudited) HK$'000	2004 (Unaudited) HK$'000	**2005 (Unaudited) HK$'000**	2004 (Unaudited) HK$'000
By principal activity:				
Continuing operations Logistics	**41,045**	8,260	**1,943**	95
Discontinued operations				
Electronic household appliances	**–**	837	**–**	(178)
	41,045	9,097	**1,943**	(83)
Unrealized holding loss on investments on securities			**(9,864)**	(7,871)
Unallocated corporate expenses			**(585)**	(3,604)
Loss from operations			**(8,506)**	(11,558)
By geographical area:				
Hong Kong	**–**	837		
The People's Republic of China	**41,045**	8,260		
	41,045	9,097		

4. LOSS FROM OPERATIONS

	Six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
The Group's loss from operations has been arrived at after charging:		
Depreciation and amortization	**2,448**	2,325
and after crediting:		
Interest income from:		
Loans receivable	**218**	219
Bank	**7**	28
Debt securities	**1,388**	1,102

5. TAXATION

	Six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current tax		
Hong Kong	**–**	119
Other jurisdictions	**637**	–
	637	119

Last period's amount represented payment of Hong Kong Profits Tax underprovided in prior years. No provision for Hong Kong Profits Tax has been made in the financial statements as the Group has no assessable profit in Hong Kong for both periods.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

6. DIVIDENDS

No dividends were paid during the period. The directors do not recommend the payment of an interim dividend (2004: Nil).

7. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share attributable to the ordinary equity holders of the parent is based on the following data:

	Six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Earnings (loss) for the purpose of calculating basic earnings (loss) per share:		
Net profit (loss) for the period	**7,387**	(13,453)
Weighted average number of shares for the purpose of calculating basic earnings (loss) per share (in thousands)	**5,438,098**	4,777,320

No diluted earnings (loss) per share is presented as the exercise of the Company's outstanding share options for the six months ended 30 September 2005 and 30 September 2004 would result in an increase in earnings per share and a decrease in loss per share respectively.

8. TRADE AND OTHER RECEIVABLES

The following is an aged analysis of accounts receivable at the reporting date:

	At 30 September	At 31 March
	2005	2005
	(Unaudited)	(Audited)
	HK$'000	HK$'000
Less than 3 months	**15,016**	11,850
3 to 6 months	**471**	680
6 to 12 months	**710**	410
Over 1 year	**–**	123
	16,197	13,063
Other receivables	**7,211**	11,665
	23,408	24,728

9. DEPOSIT PAID FOR A POSSIBLE ACQUISITION

The deposit was paid for a possible acquisition of a logistic company with operation in Yixing of the PRC.

10. TRADE AND OTHER PAYABLES

The following is an aged analysis of accounts payable at the reporting date:

	At 30 September 2005 (Unaudited) HK$'000	At 31 March 2005 (Audited) HK$'000
Less than 3 months	**5,573**	4,667
3 to 6 months	**360**	173
6 to 12 months	**74**	1
Over 1 year	**173**	344
	6,180	5,185
Other payables	**4,469**	19,646
	10,649	24,831

11. SHARE CAPITAL

	Number of ordinary shares	**Amount** *HK$'000*
Ordinary shares of HK$0.01 each		
Authorized:		
At 31 March 2005 and 30 September 2005	8,000,000,000	80,000
Issued and fully paid:		
At 31 March 2005 and 30 September 2005	5,438,098,000	54,381

12. SHARE OPTION SCHEME

The Company adopted the new share option scheme on 21 June 2002 (the "Scheme"). The Scheme enables the Company to grant share options to eligible persons as an incentive or reward for their contributions to the Company. The terms of the Scheme fully comply with the provisions of Chapter 17 of the Listing Rules. During the period, options amounting to 348,500,000 shares were granted to eligible persons including the directors of the Company. No share options were exercised under the Scheme during the period. At 30 September 2005, the Company had 537,000,000 share options outstanding under the Scheme.

13. CAPITAL COMMITMENTS

	At 30 September 2005 (Unaudited) HK$'000	At 31 March 2005 (Audited) HK$'000
Capital expenditure contracted but not provided for in the financial statements in respect of acquisition of property, plant and equipment	**–**	264

14. PLEDGE OF ASSETS

At 30 September 2005, certain of the Group's land and buildings with an aggregate carrying value of HK$107,462,000 (31 March 2005: HK$119,540,000) were pledged to a bank to secure loan facilities granted to the Group.

15. CONTINGENT LIABILITIES

At 30 September 2005, the Company had given guarantees of approximately HK$86,323,000 (31 March 2005: HK$84,810,000) to banks in respect of banking facilities granted to a subsidiary. The extent of such facilities utilized by the subsidiary at 30 September 2005 amounted to approximately HK$86,254,000 (31 March 2005: HK$84,788,000).

16. DISPOSAL OF SUBSIDIARIES

During the period, the Group entered into a sale agreement to dispose of certain subsidiaries (the "disposed subsidiaries").

The net liabilities of the disposed subsidiaries at the date of disposal were as follows:

	At the date of disposal HK$'000
Net liabilities disposed of:	
Property, plant and equipment	206
Investments in securities	1,060
Trade and other receivables	577
Bank balances and cash	212
Trade and other payables	(18,031)
Bank borrowings	(3,735)
	(19,711)
Gain on disposal of subsidiaries	19,711
Total consideration	–

The disposed subsidiaries did not make any significant contribution to the cash flows of the Group during the interim period.

17. POST BALANCE SHEET EVENT

On 1 December 2005, the Company entered into a Subscription Agreement with a third party in relation to the issue of a convertible note and the grant of the option. Details are set out in the Company's circular dated 13 December 2005.

18. RELATED PARTY TRANSACTIONS

During the period, the Group charged an investee management fee income of HK$1,200,000. The transaction was carried out on terms determined and agreed by the relevant parties.