MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the six months ended 30 September 2005 (the "Period"), the Group recorded a consolidated turnover of HK$41,045,000, representing a significant increase of approximately 350% compared with HK$9,097,000 in the corresponding period last year. Net profit attributable to shareholders was HK$7,387,000 (2004: loss of HK$13,453,000). Basic earnings per share was 0.14 HK cents as compared to the loss per share of 0.28 HK cents per share for the six months ended 30 September 2004.

The substantial increase in turnover was directly contributed from the continuing improvement of the Group's bonded warehouse and third-party logistics operations. Revenue generated from bonded warehouse surged by 51.72% representing approximately 30% of the total turnover of the Group, while the balance was generated from the Group's third-party logistics operation.

During the Period, the Group achieved a net profit attributable to shareholders of HK$7,387,000 as compared to a net loss of HK$13,453,000 of the previous corresponding period. The significant improvement was mainly resulted from the increase in turnover and gross profit and the gain on disposal of its non-operating subsidiaries.

REVIEW OF OPERATIONS

The performance of the logistics services of the Group has been encouraging while both the Group's bonded warehouse and third party logistics operations recorded remarkable growth.

Bonded warehouse

Benefited from the steady growth of the global economy and the prolonged improvement of the PRC's exports and imports, the demand for cross-border bonded warehousing is accelerating and the Group is, once again, able to capture this opportunity and recorded a notable increase in its revenue generated from its bonded warehouse located in the Shenzhen Free Trade Zone, Futian.

During the Period, the Group has further expanded its marketing team and successfully enlarged its client base serving a range of customers from PRC, Hong Kong and overseas. The Group has also successfully boosted the delivery and logistics related income of its bonded warehouse, which are not limited by the occupancy levels of warehouse. As a result, the turnover of the Group's bonded warehouse surged by over 50% as compared to that of last corresponding period. To secure its currently well-established client network, including multi-national corporations such as P&G and LG, the Group has also geared up to improve its supporting team by providing more tailor-made cross-border services to its customers. In addition, the Management has also taken cost-effective measures to improve its warehouse operation and the overall utilization level has also been improved.

Third-party logistics

The performance of the Group's third-party logistics services is remarkable. For the first six months of operation, revenue generated from third-party logistics hit record high of HK$28.5 million and accounted for nearly 70% of the total turnover of the Group.

During the Period, the Group's third-party logistics services provider – Guangzhou DiChain recorded a robust growth which offers a total integrated logistics solution and value added services along the whole spectrum of the supply chain. Services provided by Guangzhou DiChain include managing and utilizing logistics facilities, renting warehouses in Regional Distribution Centers ("RDCs") and subcontracting of transportation. Its major customers include Amway, Wal-mart, Panasonic Electronics, Jianlobao, TCL, Yile & etc. To strengthen the revenue-cost models and to enhance its presence in the industry, a team of expertise in cost accounting, third-party logistics services and RDCs monitoring has been appoint to maximize the return of the operations.

Disposal of subsidiaries

To continue the strategic plan of consolidating of its businesses and streamlining operations and headcount, the Group further disposed of certain of its non-operating subsidiaries, including Dransfield Holdings Limited ("DHL") a wholly owned subsidiary of the Group during the Period.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group generally finances its operations with internally generated resources and bank facilities granted by principal bankers in the PRC and Hong Kong. The Group continued to adopt a conservative approach to financial risk management with limited borrowing during the Period. As at 30 September 2005, the Group's gearing ratio was 37% (calculated on the basis of the Group's bank borrowings over total assets), which compared with 36% as at 31 March 2005. At the period end date, the Group's total bank borrowings amounted to HK$86 million, which was secured by certain properties of the Group located in the PRC.

The Group's cash and bank balances as at 30 September 2005 were approximately HK$683,000 as compared to that as of 31 March 2005 of HK$4,183,000. The current ratio (calculated on the basis of the Group's current assets over current liabilities) was 1.11 as at 30 September 2005 (31 March 2005: 1.02).

With improving business performance of its logistics operation and given the strong background of its major shareholder, the Group is able to refinance its bank loans on favorable terms.

The Group conducted its business transactions principally in Renminbi, Hong Kong dollars, or in the local currencies of the operating subsidiaries. The Directors considered that the Group had no significant exposure to foreign exchange fluctuations and believed it was not necessary to hedge any exchange risk. Nevertheless, the Management will continue to monitor the foreign exchange exposure position and will take any future prudent measure it deems appropriate.

To enhance the working capital of the Group for the development of its logistics business, the Company is in the process to issue Convertible Note of no more than HK$10,000,000 and to grant an option to subscribe the shares of the Company of no more than HK$15,000,000 to an investor. Details of the transaction are disclosed in the circular of the Company of 13 December 2005.

As at 30 September 2005, certain assets of the Group with an aggregate carrying value of HK$107 million were pledged with bank as security for loan facilities granted.

LITIGATION

In August 2005, a former director of the Company initiated litigation ("Litigation") against the Company for an aggregate amount of approximately HK$6.89 million, being a judgment debt allegedly owed by DHL, with interest and costs. The Company's interest in DHL was disposed of on 23 July 2005 and having consulted professional advice, the directors are of the view that the Litigation will not have any adverse impact of the Company. Details of the Litigation are disclosed in the announcement of the Company of 23 August 2005.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2005, the number of employees of the Group was 108. The remuneration packages of employees are maintained at competitive levels and include monthly salaries, mandatory provident fund, medical insurance and share option schemes; other employee benefits include meal and traveling allowances and discretionary bonuses.

PROSPECTS

Going forward, in order to strengthen and consolidate the competitive advantage of the Group in the logistics services market, the Group will continue to capitalize on the fast-expanding trade between the PRC and the rest of the world. Driven by improving efficiencies in the PRC's logistics infrastructure, it is expected that the third party logistics market in the PRC will experience rapid changes and increasing competition in the coming years.

Logistics services will continue to be the Group's core business activities and are poised for future growth and development. Paving the way for developing the immense potential of the logistics industry in the PRC, the Group is well poised to expand its logistics related operations and strengthen its network in both the PRC and overseas through mergers and acquisitions, introduction of strategic partners and other forms of joint ventures.

The Group will also continue to monitor its recurrent income base and finance performance with a view to maximize return to the Company's shareholders. In future, the Group will also endeavor to improve its profit margin through cost control and targeting and serving world-class customers with higher profit margin.

The Management believes the Group is now well positioned and is confident that the Group' investment strategy in the logistics industry will deliver satisfactory returns to its shareholders in coming future.

ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING RULES

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2005, the interests of the directors and their associates in the shares, underlying shares and convertible bonds of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions

(a) Ordinary shares of HK$0.01 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Fan Di	Held by controlled corporation (Note 1)	2,846,553,083	52.34%
Robert Fung Hing Piu	Beneficial owner	4,305,437	0.08%
	Held by controlled corporation (Note 2)	60,000,000	1.10%
	Held by trust (Note 3)	63,604,530	1.17%
		127,909,967	2.35%
Iain Ferguson Bruce	Beneficial owner	5,000,000	0.09%
Barry John Buttifant	Beneficial owner	1,000,000	0.02%