With the completion of the Subscription Agreements, a new Management team headed by Mr. Wong Kwan joined the Board on 24 May 2006. Members of the new Management include internationally renowned executives and professionals all with valuable investment and management experiences and extensive international business connections.

The new Board of Directors of the Company presents the first annual results of the Group for the year ended 31 March 2006 following the successful changeover of the major shareholder of the Company completed in May 2006.

REVIEW OF OPERATIONS

The Group is principally engaged in operating bonded warehouse, provision of logistics and related services and logistics related property investment.

Since 2004 the Group has focused its long-term development plan in the global logistics industry and deployed extensive resources in expanding its logistics network. With successful effort and commitment of the Management, the performance of the logistics services of the Group has been encouraging while both the bonded warehouse and domestic logistics operations recorded remarkable growth.

Bonded warehouse

DiChain Logistics Services (Shenzhen) Co Ltd ("DiChain Logistics") is a wholly-owned subsidiary of the Group, is engaged in providing bonded warehouse logistics services. Located in the Futian Bonded Trade Zone, DiChain Logistics offers fast, convenient, and reliable logistics management services ranging from storage, transportation, merchandise display, wholesale mart, repair and maintenance services, to repacking and distribution for bonded goods.

With a total investment of HK$135 million, DiChain Logistics owns a bonded warehouse with a gross floor area of 28,125 square meters and a storage capacity of 43,200 cubic meters. The modern warehouse consists of six 3-dimensional chambers of various stacking heights, including a 15-meter-high vertical pallet-racking, with a 4,600-square meter air-conditioned area and a 15,000-square meters general storage area. The seven-story building is well equipped with high quality exhibition and conference facilities, offices, a wholesale mart, service workshops and a repackaging center to provide integrated logistics services to customers.

With a fast and sustained growth of the economy and increasing demand for cross-border bonded warehousing and logistics services, the Group was once again able to record a notable increase of 33% in its bonded warehouse revenue.

REVIEW OF OPERATIONS (Continued)

Bonded warehouse (Continued)

During the year, the Management had taken various measures to expand its services scope and secure its quality customers, including P&G, LG, Siemon, Konka, Skyworth, TCL and etc. The Group continues its aim for higher profit margin with the acquisition of additional quality customers and covering high-valued industries such as IT and fast moving consumer goods ("FMCG") industries, who have high requirements for integrated and better quality logistics services for their high value goods.

To further strengthen its well-established client network, the Group has launched tailor-made cross-border services for its customers, including the enhancement of its value added services, such as repacking services for its major well known FMCG and other customers located in Hong Kong.

Presently, the overall utilization rate of the Group's bonded warehouse is at a healthy rate of approximately 80%. The Group has also successfully boosted its delivery and logistics related income of its bonded warehouse, which are not limited by the occupancy levels of the bonded warehouse.

Domestic logistics services

To align with its strategic mission to provide an integrated logistics services, the Group endeavored to expand its domestic logistics operations and networks from the time when it acquired the Guangzhou DiChain Logistics Company Limited ("Guangzhou DiChain") and Jiangxi DiChain Logistics Company Limited ("Jiangxi DiChain") in November 2004.

Established in early 2001, Guangzhou DiChain is a premier domestic logistics services provider in the PRC, which offers a total integrated logistics solution with value added services along the whole spectrum of the supply chain. Services provided by Guangzhou DiChain include warehousing, transportation, delivery and other value added services through internal and external facilities and network. Guangzhou DiChain is equipped with advanced logistics facilities, state-of-the-art logistics IT software and systems, and a nation-wide service network. Its major customers include Amway, Wal-mart, Panasonic Electronics, Jianlibao, Loreal, TCL, Wanglaoji, Yaqian and Yile Dairy.

The Group's nationwide logistics services cover the major economically affluent areas in the PRC, including Beijing, Tianjin, Harbin, Changchun, Taiyuan, Jinan, Shanghai, Nanjing, Guangzhou, Shenzhen, Wuhan, Zhengzhou and Chengdu.

REVIEW OF OPERATIONS (Continued)

Domestic logistics services (Continued)

The performance of the Group's domestic logistics services is remarkable. During the year under review, revenue generated from domestic logistics services surged to nearly HK$52 million, which accounted for approximately 70% of the total turnover of the Group. With the support from major customers and business partners, the Management expects that this business segment will continue to make great contribution to the growth of the Group in the future.

Discontinued operation

During the year, the Group has disposed of all of its shareholdings in Dransfield Holdings Limited ("DHL") and certain subsidiaries. Upon the completion of the disposal of the non-performing operation, the Group recorded a gain on disposal of subsidiaries amounted to approximately HK$11.5 million.

Share consolidation

To concord the recent trend and development of both international capital markets and stock market in Hong Kong, the Company completed a 50 to 1 share consolidation on 22 May 2006. The Directors expect the share consolidation will further enhance the image of the Company and may attract investments from potential international investors, who normally have better appetite for high-value stocks.

Share subscription

In January 2006, the Company was informed by its PRC lawyers of a litigation lodged against the Company and DiChain Logistics by Guangdong Development Bank, Shenzhen Xiangmihu Branch ("GD Bank") in relation to a default on repayment of a loan of approximately HK$28.8 million granted by GD Bank to DiChain Logistics. Prior to this, the Directors were confident that the bank loan could be renewed as the Group was successfully renewed in the previous year. Since the Group did not expect the demand of immediate repayment of the bank loan and was unable to repay the bank loan as requested, litigation against the Company has been lodged by GD Bank. With the immediate need to relieve the Group's tight cash position and possible financial difficulties, which might be prompted from the litigation, the Group required a larger capital base and additional financial capabilities to meet the Group's funding needs. In this regard, the Company has entered into agreements to issue Subscription Shares, Convertible Notes and Options with Orient Day Developments Limited ("Orient Day") in February 2006 which, if fully exercised, would raise gross proceeds of HK$40 million, HK$30 million and HK$10 million for the Company respectively. Upon completion of the Subscription Agreements and issue of Convertible Notes in May 2006, the Company raised net proceeds of approximately HK$69.6 million approximately, HK$30.0 million of which had been used for the settlement of the litigation. Upon the completion of the Subscription in May 2006, Orient Day has become the largest shareholder of the Company, with a shareholding of 42.38% in the Company.

REVIEW OF OPERATIONS (Continued)

Share subscription (Continued)

On 13 June 2006, the Company received a notice from Orient Day to convert all the Convertible Notes at the conversion price of HK$0.5 per consolidated share (being adjusted conversion price after the Company's share consolidation completed on 22 May 2006). As a result of the conversion, a total of 60,000,000 consolidated shares (being the adjusted number of conversion shares after the share consolidation) of HK$0.5 each were issued, representing approximately 31.78% of the issued capital of the Company on the date of the conversion.

After the completion of the Subscription Agreements and the conversion of Convertible Notes and as at the Latest Practicable Date, Orient Day holds 57% of equity interest in the Company and the total equity of the Group has increased to approximately HK$124 million.

Litigation

As disclosed in the announcements of the Company dated 1 February 2006 and 24 February 2006 and in the section of "Share Subscription", a litigation has been lodged against the Company and DiChain Logistics, a subsidiary of the Company, by GD Bank in relation to a default on repayment of a loan of approximately HK$28.8 million granted by GD Bank to DiChain Logistics. Subsequent to the share subscription by and issue of convertible notes to Orient Day, the bank loan was fully repaid on 21 June 2006.

New business development

To increase the shareholders' value and return, the new Management has been actively exploring new business opportunities for the Group especially in the Energy and Natural Resources sectors due to the strong growth in the market demand.

REVIEW OF OPERATIONS (Continued)

New business development (Continued)

On 15 July 2006, the Company entered into a conditional agreement with an independent third party (the "Vendor") to set up a joint venture – China Coal Energy Holdings Limited in Hong Kong ("CCEH" or the "JV"). The Company has agreed to acquire 40% of the issued share capital of the CCEH for a total consideration of HK$395.62 million, of which HK$100 million will be paid in cash and the balance will be satisfied by the issue and allotment of new shares in the Company. After completion of the transaction, the JV will own a coal mining area of approximately 5 square kilometers through its subsidiaries located in Shanxi, PRC. The coal mine has total coal reserves of approximately 67.5 million tons and recoverable coal reserves of approximately 27 million tons. According to terms of the agreement, the Vendor has guaranteed to the Company that the Audited Net Profit for the three financial years ending 31 December 2009 shall in aggregate be not less than HK$600 million. Therefore the profit-sharing entitled by the Company will not be less than HK$240 million within the next 3 years. The Vendor has further guaranteed to the Company that the dividend of the JV to be paid to the Company for each of the financial years ending 31 December 2007 and 31 December 2008 will not be less than HK$40 million. The New Management believes that the investment in the JV will generate long term and very stable income for the Group. Details of the transaction are disclosed in the announcement of the Company dated 20 July 2006.

RESULTS

For the year ended 31 March 2006, the Group recorded a turnover of HK$75,157,000 (2005: HK$34,145,000) and a net loss of HK$78,276,000 (2005: HK$19,574,000). Loss (basic) per share for the year was HK1.44 cents (2005: HK0.38 cents).

The overall increase in turnover for the Group was a direct result from the continuing improvement of its bonded warehouse operation and the consolidation of its domestic logistics operation.

The net loss of the year was mainly resulted from the provision for doubtful debts totalling HK$72,300,000.

RESULTS (Continued)

Revenue

The total revenue of the Group for the year ended 31 March 2006 increased to HK$75 million. During the year, the logistics operation was the only major source of revenue generated by the Group.

The performance of logistics services of the Group has been encouraging and the revenue generated from the logistics operation increased approximately by 120% as compared to that of the previous year. The increase was attributable in part to the higher revenue contribution from its Futian bonded warehouse operation and the consolidation for the revenue generated from Guangzhou DiChain and its subsidiary.

Loss for the year

The Group reported a net loss attributable to shareholders of HK$78,276,000, which resulted mainly from the provision for doubtful debts totaled to HK$72,300,000.

Dividend

The Directors do not recommend the payment of a dividend for the year (2005: Nil).

Impairment loss of deposit and other loans receivable

During the year under the supervision of the former board members and management, the Group has made a deposit of HK$42 million (2005: Nil) and a loan of HK$18 million in accordance with an Asset Transfer Deposit Agreement (資產轉讓預付款協議) (the "Deposit Agreement") and a Loan Agreement both dated 27 September 2005 entered into between the Company and Hero Vantage Limited. Pursuant to the Deposit Agreement, the Company shall acquire from Hero Vantage Limited certain logistics assets on condition that, inter alia, Hero Vantage Limited shall have acquired and become the legal owner of the relevant logistics assets (the "Condition Precedent") in Yixing, the PRC. If the Condition Precedent is not fulfilled within 12 months after the date of the Deposit Agreement, the deposit shall be refunded in full to the Company within 3 months thereafter with interest thereon to be calculated at the rate of 5% per annum.

After the completion of the Subscription Agreements on 24 May 2006, the change of controlling interest in the Company and the formation of the New Board and management team on the same date, the above matters have been considered very important. Enquiries have been made with former board members and management and those relevant parties involved in the above matters but the information available to the New Board, as at the Latest Practicable Date, was inadequate for ascertaining the recoverability of both the deposit and the loan. Therefore the New Board has made a decision to make full provision for both the deposit and the loan totaling HK$60 million.

RESULTS (Continued)

Impairment loss of deposit and other loans receivable (Continued)

In addition, the New Board has also decided to make full provision for two loans receivable totaled HK$12.3 million. The New Board considers the provision necessary based on the information available as at the Latest Practicable Date.

The Company will continue to take all possible further steps to recover the deposit, the loan and the loans receivable and will seek legal advice in order to protect the interests of the Company and the Shareholders.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group generally finances its operations with internally generated resources and bank facilities granted by principal bankers in PRC. Total assets of the Group at the time of close of fiscal 2006 amounted to HK$157 million (2005: HK$243 million), whereas the net asset was reduced by 57% to HK$54 million (2005: HK$125 million).

Subsequent to the end of the financial year, 140,000,000 consolidated shares (being adjusted after the Company's share consolidation completed on 22 May 2006) were issued in pursuant to the share subscription and conversion of convertible notes of Orient Day. The aggregate proceeds of the transactions before expenses amounted to HK$70 million of which approximately HK$30 million has been applied to settle the bank loan granted by GD Bank while the remaining has been applied to the working capital of the Company.

The Group's cash and bank balances as at balance sheet date were approximately HK$1.8 million (2005: HK$4.2 million). The current ratio (calculated on the basis of the Group's current assets over current liabilities) as at 31 March 2006 was 0.41 (2005: 1.02).

As at 31 March 2006, the Group's gearing ratio was 55% (calculated on the basis of the Group's bank borrowings over total assets), which compared with 37% as at 31 March 2005. At year-end date, the Group's total bank borrowings amounted to HK$86 million, which was secured by certain properties of the Group located in PRC. After the completion of the Share Subscriptions in May 2006 and the conversion of Convertible Notes in June 2006, the Company raised additional working capital of HK$70 million which has substantially improved the overall financial position and the financial ratios of the Company.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE (Continued)

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 in the future will take appropriate prudent measures, whenever it deems necessary.

CONTINGENT LIABILITY

As at 31 March 2006, approximately HK$87 million (2005: HK$85 million) of guarantee was given by the Company to banks in respect of banking facilities granted to a subsidiary of the Company. The extent of such facilities utilized by the subsidiary at 31 March 2006 amounted to approximately HK$86 million (2005: HK$85 million). Subsequent to the capital injection exercise completed in May 2006, the Company received a capital injection of HK$70 million, of which approximately HK$28.8 million was immediately applied to settle a bank loan and as at the Latest Practical Date, the guarantee of the Company has substantial reduced to approximately HK$58.9 million.

ASSETS PLEDGED

Assets with an aggregate carrying value of approximately RMB110 million were pledged with banks as security for loan facilities granted to the Group.

EMPLOYEES

As at 31 March 2006, the number of employees of the Group was 286. 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.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 21 June 2002, which enables the Company to grant share options to eligible persons as an incentive or reward for their contribution to the Group. The terms of the share option scheme fully comply with the provisions of Chapter 17 of the Listing Rules. Options for 7,770,000 consolidated shares had been granted under the scheme during the year.

PROSPECTS

Looking ahead, the Group will continue to develop its logistics business, which remains one of the core businesses of the Group. The development strategy of the logistics business of the Group is to become a leading integrated logistics service provider in the Great China area by expanding its existing logistics service scopes with higher profit margin, service region coverage and logistics network. In addition to its organic growth in logistics, the Group will explore new opportunities of mergers and acquisitions in PRC to achieve synergy and strengthen its strategic position in the industry.

To further increase the shareholders' value, the Company has been actively exploring new business opportunities for the Group. On 15 July 2006, the Company has entered into a conditional agreement to acquire 40% equity interest in China Coal Energy Holdings Limited for a total consideration of HK$395.6 million. In view of the limited supply but ever increasing demand of natural resources and energy in the world, the Board is optimistic about the future prospect of the natural resources and energy industries. The Board is confident that with the strengthened financial positions of the Company, the Group's investment strategy will deliver satisfactory returns to its shareholders in the coming future.