NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2006

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared on the following bases:

(i) The condensed 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 and with Hong Kong Accounting Standard 34 (HKAS 34) "Interim Financial Reporting".

(ii) In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the consolidated net current liabilities of approximately HK$65.7 million at 30th June, 2006 and loss of approximately HK$26.4 million for the six months then ended.

The Group's operations in the international air and sea freight forwarding industries continue to be profitable for the six months ended 30th June, 2006. In order to take advantage of further growth opportunities, the Group explored the business opportunities in the coke industry during the year ended 31st December, 2005.

The Group entered into a subscription agreement ("Subscription Agreement") in February 2005 under which the Group agreed to invest a total of HK$60.6 million in Shanxi Changxing Yuci Coking Co., Limited ("Shanxi Changxing"), including an initial amount of HK$40.0 million invested during the year ended 31st December, 2005. At 30th June, 2006, the Group was still committed to invest the remaining HK$20.6 million in Shanxi Changxing, in accordance with the Subscription Agreement, when all the terms and conditions under the Subscription Agreement are met on or before 31st January, 2007 pursuant to the various extension agreements entered into among the parties to extend the completion.

In accordance with the Group's strategic plan, the directors of the Company will assess and review the performance of the Company's subsidiaries on a timely basis. In the circumstances that those investments are non-performing, the Group will discontinue any further capital injection program in those investments to preserve the Group's financial and liquidity position in the short term as well as maintaining the long term growth and development of the Group.

Shanxi Changxing had sustained net current liabilities of HK$164.5 million at 30th June, 2006. Shanxi Changxing is currently focusing on strengthening its operations of manufacturing and sale of coke, and the management of Shanxi Changxing is implementing active cost-saving and value-adding measures to improve its operating cash flows and financial position.

The directors have given careful consideration to the financial performance and liquidity position of Shanxi Changxing since it became a subsidiary of the Company. Should Shanxi Changxing's operating results and cash flows be unable to improve, the Group will cease any further capital injection, in accordance with the strategic plan discussed above.

In order to improve the Group's liquidity position, the Group is currently negotiating with its lenders to extend and reschedule the repayment terms of the fixed-rate borrowings of HK$45.1 million outstanding at 30th June, 2006 which are due for repayment in the coming year.

On the basis that the Group can extend and reschedule the repayment of the fixed-rate borrowings and improve the Group's operating results and cash flows through the implementation of the measures described above, the directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2005 except as described below.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are either effective for accounting periods beginning on or after 1st December, 2005 or 1st January, 2006. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas:

Financial assets previously designated as investments at fair value through income statement reclassified as available-for-sale investments.

The investments previously classified as investments at fair value through income statement have retrospectively been reclassified as available for sale investments and are carried at cost less impairment. This change in accounting policy has had no material effects on the results of the prior year. Accordingly, no prior year adjustment is required.

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

HKAS 1 (Amendment)	Capital disclosures[1]
HKFRS 7	Financial instruments: disclosures[1]
HK(IFIRC) – INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[2]
HK(IFRIC) – INT 8	Scope of HKFRS 2[3]
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives[4]

1 Effective for annual periods beginning on or after 1st January, 2007.
2 Effective for annual periods beginning on or after 1st March, 2006.
3 Effective for annual periods beginning on or after 1st May, 2006.
4 Effective for annual periods beginning on or after 1st June, 2006.

3. SEGMENTAL INFORMATION

For management purposes, the Group is currently organised into three operating divisions (i) international air and sea freight forwarding; (ii) securities investment and (iii) manufacture and sales of coke. These divisions are the basis on which the Group reports its primary segment information.

Business segments

For the six months ended 30th June, 2006

	International air and sea freight forwarding	Securities investment	Manufacture and sales of coke	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover				
External	**5,140**	**151,096**	**18,594**	**174,830**
Results				
Segment results	**254**	**1,460**	**(10,396)**	**(8,682)**
Unallocated corporate expenses				**(15,834)**
Interest income				**783**
Finance costs				**(2,781)**
Share of results of associates				**145**
Loss for the period				**(26,369)**

For the six months ended 30th June, 2005

	International air and sea freight forwarding	Securities investment	Total
	HK$'000	*HK$'000*	*HK$'000*
Turnover			
External	5,395	258	5,653
Results			
Segment results	333	(5,067)	(4,734)
Unallocated corporate expenses			(16,414)
Interest income			558
Fair value adjustment on embedded derivatives			(9,860)
Finance costs			(11)
Share of results of an associate			(6,049)
Loss for the period			(36,510)

4. **FAIR VALUE ADJUSTMENT AND IMPAIRMENT LOSS ON INVESTMENTS**

	Six months ended 30th June,	
	2006	2005
	HK$'000	*HK$'000*
The amount comprised of:		
– impairment loss on available-for-sale investments	**–**	(4,500)
– Fair value adjustment on investments held for trading	**(3,977)**	(215)
	(3,977)	(4,715)

5. **FINANCE COSTS**

	Six months ended 30th June,	
	2006	2005
	HK$'000	*HK$'000*
Interest on:		
Convertible bonds	**–**	11
Other borrowings wholly repayable within five years	**2,781**	–
	2,781	11

6. **LOSS FOR THE PERIOD**

	Six months ended 30th June,	
	2006	2005
	HK$'000	*HK$'000*
Loss for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**3,522**	187
Allowance on inventories	**2,687**	–
(Gain) loss on disposal of investments held for trading	**(5,429)**	139
Interest income	**(783)**	(558)
Dividend from investments in securities	**(22)**	–

7. **TAXATION**

No tax is payable on the profit for the period arising in Hong Kong since the assessable profits is wholly absorbed by tax losses brought forward.

No provision for taxation arising in the other regions of the People's Republic of China (the "PRC") has been made as there is no assessable tax for the period.

8. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the period attributable to equity holders of the Company of HK$18,998,000 (Six months ended 30th June, 2005: HK$36,510,000) and on the weighted average number of 5,745,251,346 (Six months ended 30th June, 2005: 4,964,566,091) ordinary shares in issue during the period.

No diluted loss per share is presented for both periods as the exercise of the share options would result in a decrease in the loss per share for both periods and the conversion of the convertible bonds would be anti-dilutive in respect of the six months ended 30th June, 2005.

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

The Group incurred expenditure of approximately HK$16,193,000 (Six months ended 30th June, 2005: HK$41,000) on property, plant and equipment during the period ended 30th June, 2006.

In the opinion of the directors, there is no material difference between the carrying amount of the investment property and its fair value at 30th June, 2006.

10. AVAILABLE FOR SALE INVESTMENTS

At 30th June, 2006, the directors of the Company are of the view that the carrying amount of the Group's investments in Beijing Beida Jade Bird Universal Sci-Technology Company are not less than its recoverable amount.

11. INVENTORIES

	30.6.2006	31.12.2005
	HK$'000	*HK$'000*
Raw materials and consumables	**5,743**	5,756
Finished goods	**15,639**	1,387
	21,382	7,143

12. TRADE AND OTHER RECEIVABLES

The Group allows its trade customers with credit periods normally ranging from 30 days to 60 days.

	30.6.2006	31.12.2005
	HK$'000	*HK$'000*
Trade receivables, aged		
0-30 days	**7,459**	14,687
31-60 days	**607**	340
61-90 days	**851**	138
Over 90 days	**356**	138
	9,273	15,303
Other receivables	**4,872**	10,324
	14,145	25,627

13. DEPOSITS PLACED WITH SECURITY BROKERS

The amount represents margin deposits placed with security brokers. The deposits carry interest at about 3% per annum.

14. TRADE AND OTHER PAYABLES

	30.6.2006	31.12.2005
	HK$'000	*HK$'000*
Trade payables, aged		
0-30 days	**9,635**	3,398
31-60 days	**5,594**	4,312
61-90 days	**1,761**	2,871
Over 90 days	**40,905**	20,843
	57,895	31,424
Receipt in advance from customers	**72,579**	61,356
Accrued charges and other payables	**41,534**	22,336
Construction payable	**7,350**	24,417
	179,358	139,533

15. SHARE CAPITAL

	Notes	Number of shares	Nominal amount
		'000	*HK$'000*
Ordinary shares of HK$0.05 each			
Authorised:			
At 1st January, 2006 and 30th June, 2006		12,000,000	600,000
Issued and fully paid:			
At 1st January, 2006		5,465,986	273,299
Exercise of share options	*a*	100,000	5,000
Issue of shares by way of private placement	*b*	483,000	24,150
At 30th June, 2006		6,048,986	302,449

Notes:

a. During the period, the Company issued 100,000,000 shares at a cash consideration of HK$0.083 per share pursuant to the exercise of the share options granted.

b. On 23rd March, 2006, a placing and subscription agreement was entered into among Best Chance Holdings Limited ("Best Chance"), the Company and a placing agent ("Placing Agent") under which (i) Best Chance has appointed the Placing Agent to place 483,000,000 ordinary shares ("Placing Shares") in the Company at a price of HK$0.109 per Placing Share; and (ii) Best Chance to subscribe for 483,000,000 new shares ("Subscription Shares") in the Company at a price of HK$0.109 per Subscription Share. The issued price of HK$0.109 represented a discount of 15.5% to the closing price of HK$0.129 per share on 22nd March, 2006. The Subscription Shares were issued under the general mandate granted to the Directors of the Company on 27th May, 2005. The net proceeds of HK$51,850,000 will be used for general working capital purpose. The transaction was completed on 31st March, 2006.

Best Chance is a company wholly-owned by Mr. Wang Jian Hua, the spouse of Ms. Ma Jun Li, the Chairman and an executive director of the Company.

Details of the above are set out in the announcements to the shareholders of the Company dated 24th March, 2006 and 3rd April, 2006.

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

16. CAPITAL COMMITMENTS

	30.6.2006	31.12.2005
	HK$'000	*HK$'000*
Capital expenditure in respect of:		
(i) the acquisition of property, plant and equipment contracted for but not provided in the financial statements	**39,121**	42,067
	RMB'000	*RMB'000*
(ii) the acquisition of investment authorised but not contracted for *(note)*	**160,000**	160,000

Note:

In 2004, the Group entered into a letter of intent to acquire not less than 51% interest in Gu Jiao Yi Yi Mei Jiao Company Limited ("Gu Jiao"), at a consideration of 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.

17. PLEDGE OF ASSETS

At the balance sheet dates, the Group had pledged the following assets to secure the Group's borrowings:

	30.6.2006	31.12.2005
	HK$'000	*HK$'000*
Bank deposits	**16,119**	11,129
Buildings	**53,080**	52,963
Prepaid lease payments	**3,688**	3,691
Other deposits	**1,349**	1,018
	74,236	68,801

18. POST BALANCE SHEET EVENTS

The following events took place subsequent to the balance sheet date:

a. On 27th July, 2006, the Group entered into a letter of intent with an independent third party for the acquisition of not less than 51% interest in Hejin City Taixing Coke Chemical Company Limited ("Taixing"). Taixing 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. Details of which are set out in the announcement of the Company dated 27th July, 2006.

b. As detailed in note 1, certain terms of the Subscription Agreement have not been fulfilled and various extension agreements had been entered into among the contracting parties to extend the completion date of the Subscription Agreement to 31st January, 2007, details of which are set out in the announcements of the Company dated 31st August, 2006.

19. RELATED PARTY DISCLOSURES

The remuneration of director and other members of key management during the period was as follows:

	Six months ended 30th June,	
	2006	2005
	HK$'000	*HK$'000*
Short term benefits	**1,480**	1,131
Retirement benefits contribution	**43**	41
	1,523	1,172