

BUSINESS REVIEW

During the six months ended 30 September 2001, the Group reported a turnover of HK\$33.4 million compared with HK\$116.0 million for the six months ended 30 September 2000. The loss for the six months ended 30 September 2001 stood at HK\$64.1 million compared with HK\$13.3 million in the same period last year. During the six months ended 30 September 2001, the Group made a full provision for the sale of one of its investment properties (HK\$15.9 million) and the disposal of the Group's 29.67% equity holding (HK\$37.7 million) in a NASDAQ listed associate company, DFCT. All of the proceeds from these disposal activities are being used to repay bank debt, which is in line with the Group's on-going divestiture of non-core assets and operations in order to reduce the Group's overall indebtedness, to repay bank loans, and to concentrate on the Group's logistics and bonded warehousing operation in Futian, in the PRC.

The details (in Hong Kong Dollars) are as follows:

Asset I.	Book Value (HK\$ millions)	Disposal Amount (HK\$ millions)	Book Loss (HK\$ millions)	
Property	68.00 million	52.08 million	15.90 million	
Asset II.	Book Value (HK\$ millions)	Disposal Amount (HK\$ millions)	Market Value (HK\$ millions) using the 10 day average closing price prior to the disposal date	Book Loss (HK\$ millions)
29.67% Equity Holdings in DFCT	47.27	9.57	11.72	37.7

The above two transactions are both to be completed by 31st December 2001.

In conjunction with the above developments, new members were added to the Group's board, and a new Chairman as well as a new acting CEO were appointed at the Group's Annual General Meeting held on 29 September 2001. These changes were made in order to help the Group better execute its medium and long-term strategies.

The Group's operating loss of HK\$64.1 million for the period ended 30 September 2001 represents a loss of HK\$0.0351 per share, attributable almost entirely to the one time provision made for the Group's divestitures outlined above. Without the above-mentioned one time provision, the operating loss for the Group is effectively HK\$10.4 million, which in turn can be compared with an operating loss of HK\$13.3 million during the six months ended 30 September 2000. In this regard, management is confident that once the Group's debt reduction has been completed, the Group's core operations will continue to grow at a healthy pace. Management is therefore at the same time also considering seeking outside funding to accelerate growth.

Over the past six months, management has made a concerted effort to control the Group's overall costs in order to improve profitability. Management is committed to maintaining this discipline going forward. The Group's G & A expenses for the period ended 30 September 2001 was HK\$ 8.7 million, compared with HK\$12.3 million during the period ended 30 September 2000. Finance costs for the Group increased only marginally from HK\$5.1 million during the period ended 30 September 2000 to HK\$6.7 million in the period ended 30 September 2001.

The Group is currently in the process of divesting additional assets, in order to achieve its debt reduction target, focus resources on its logistics operations in the PRC, and maintain an efficient and flexible cost structure. However, if the Group does complete any further disposals within the next six months, these transactions may potentially materially affect the Group's results before the end of the Group's fiscal year.

In December 2001, the Bank of East Asia Limited Shenzhen Branch (the "Bank") sued Victorison Logistic Service (Shenzhen) Co., Ltd ("Victorison") as the borrower, the Company's wholly-owned subsidiary, and the Company as the guarantor for full repayment of the outstanding mortgage loan and interest thereof totaling US\$5.2 millions. The case was first heard before Court on 17 December 2001 and at the request of Victorison, a settlement agreement between the Bank, Victorison and the Company was entered into on 25 December 2001 whereas Victorison shall repay HK\$700,000 on the 15th day of each month commencing January 2002 until full amount of the outstanding loan and interest thereof have been repaid.