



## **FINANCIAL HIGHLIGHTS**

- Turnover was increased by 67.5% to approximately HK\$89,979,000 compared with HK\$53,722,000 recorded for the same period of last year.
- Loss attributable to shareholders was HK\$35,715,000 mainly due to increased corporate finance overheads resulting from acquisition exercises and the losses suffered from certain businesses and investments.
- Group's net asset value was HK\$256,126,000.
- Re-arrangement of the current businesses coupled with selection of new high growth potential businesses underpin the direction of the Group.

## INTERIM RESULTS

The board of directors (the "Board") of Oriental Union Holdings Limited (the "Company") hereby announce the unaudited results of the Company and its subsidiaries (the "Group") for the six months ended 30th September, 2000 together with comparative figures for the corresponding period in 1999 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September, 2000

		<b>Unaudited</b>	
		<b>1st April, 2000 to 30th September, 2000</b>	1st April, 1999 to 30th September, 1999
	Notes	<b>HK\$'000</b>	HK\$'000
Turnover		<b>89,979</b>	53,722
Direct operating costs		<b>(55,213)</b>	(29,970)
Cost of sales		<b>(22,148)</b>	(13,881)
		<b>12,618</b>	9,871
Other revenue		<b>1,041</b>	4,492
Administrative expenses		<b>(33,694)</b>	(28,397)
Other expenses	4	<b>(11,012)</b>	(4,835)
Loss from operations		<b>(31,047)</b>	(18,869)
Finance costs		<b>(148)</b>	(2,047)
Share of results of associates		<b>(4,609)</b>	(331)
Gain arising in relation to undertakings by a former shareholder		<b>—</b>	107,894
(Loss) profit from ordinary activities before taxation		<b>(35,804)</b>	86,647
Taxation	5	<b>—</b>	(1,228)
(Loss) profit before minority interests		<b>(35,804)</b>	85,419
Minority interests		<b>89</b>	(162)
Net (loss) profit for the period		<b>(35,715)</b>	85,257
(Loss) earnings per share	6		
Basic		<b>(3.1) cents</b>	10.1 cents
Diluted		<b>N/A</b>	9.6 cents
Interim dividend per share		<b>N/A</b>	N/A

## CONDENSED CONSOLIDATED BALANCE SHEET

At 30th September, 2000

		<b>Unaudited</b>	Audited
		<b>At</b>	At
		<b>30th September,</b>	31st March,
		<b>2000</b>	2000
Notes		<b>HK\$'000</b>	HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	<b>98,142</b>	102,234
Deposit paid for potential investment		<b>20,000</b>	20,000
Prepaid rentals		<b>8,550</b>	9,339
Interest in associates		<b>9,359</b>	6,027
Loan receivable		<b>4,621</b>	4,621
		<b>140,672</b>	142,221
<b>Current assets</b>			
Debtors, deposits and prepayments	8	<b>46,892</b>	46,329
Deposits paid for potential investments		<b>25,031</b>	39,373
Deposit paid for purchase of trading inventories		<b>9,500</b>	9,500
Investments in securities		<b>25,670</b>	14,966
Amount due from a related party		—	2,249
Pledged bank deposits		<b>16,676</b>	15,200
Deposits, bank balances and cash		<b>29,972</b>	75,816
		<b>153,741</b>	203,433
<b>Current liabilities</b>			
Creditors and accrued charges	9	<b>24,228</b>	53,215
Amount due to an associate		<b>90</b>	192
Taxation payable		<b>111</b>	111
Loan from a director		—	77
Bank overdraft		<b>6,152</b>	—
		<b>30,581</b>	53,595
<b>Net current assets</b>		<b>123,160</b>	149,838
<b>Total assets less current liabilities</b>		<b>263,832</b>	292,059

		<b>Unaudited</b>	Audited
		<b>As at</b>	As at
		<b>30th September,</b>	31st March,
		<b>2000</b>	2000
	Notes	<b>HK\$'000</b>	HK\$'000
<b>Minority interests</b>		<b><u>7,706</u></b>	<u>7,779</u>
Net assets		<b><u>256,126</u></b>	<u>284,280</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	10	<b>117,133</b>	116,000
Reserves	11	<b><u>138,993</u></b>	<u>168,280</u>
Shareholders' funds		<b><u>256,126</u></b>	<u>284,280</u>

## **CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES**

*For the six months ended 30th September, 2000*

	<b>Unaudited 1st April, 2000 to 30th September, 2000 HK\$'000</b>
Net gain arising from exchange differences on translation of operations outside Hong Kong not recognised in the condensed consolidated income statement	<b>37</b>
Share of movement of translation reserve of associates	<b>11</b>
Net gains not recognised in the condensed consolidated income statement	<b>48</b>
Net loss for the period	<b>(35,715)</b>
Total recognised losses	<b>(35,667)</b>

## **CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

*For the six months ended 30th September, 2000*

	<b>Unaudited 1st April, 2000 to 30th September, 2000 HK\$'000</b>
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	<b>(63,190)</b>
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	<b>538</b>
NET CASH INFLOW FROM INVESTING ACTIVITIES	<b>3,211</b>
NET CASH OUTFLOW BEFORE FINANCING	<b>(59,441)</b>
NET CASH INFLOW FROM FINANCING	<b>7,436</b>
DECREASE IN CASH AND CASH EQUIVALENTS	<b>(52,005)</b>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<b>75,816</b>
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<b>9</b>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<b>23,820</b>



## **NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

*For the six months ended 30th September, 2000*

### **1. Accounting policies**

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities.

The interim report has been prepared in accordance with the Statement of Standard Accounting Practice No. 25 "Interim financial reporting" ("SSAP 25") issued by the Hong Kong Society of Accountants, except that comparative figures are not presented for the statement of recognised gains and losses and for the cash flow statement, being the first cash flow statement to be included in the interim financial report relating to accounting period ended on or after 1st July, 2000. Such departures from SSAP 25 are permitted under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 31st March, 2000.

## 2. Segment information

The Group's turnover and contribution to (loss) profit from operations analysed by principal activities and by geographic locations are as follows:

### By principal activities

	Turnover		Contribution to (loss) profit from operations	
	1st April, 2000 to 30th September, 2000 HK\$'000	1st April, 1999 to 30th September, 1999 HK\$'000	1st April, 2000 to 30th September, 2000 HK\$'000	1st April, 1999 to 30th September, 1999 HK\$'000
Freight forwarding and vessel operating common carrier services	59,421	32,577	1,026	(3,090)
Steam coal trading	22,366	13,985	(177)	26
Operation of container depots and logistics management services	8,192	7,160	(587)	(964)
Securities trading	—	—	(6,218)	—
	<b>89,979</b>	<b>53,722</b>	<b>(5,956)</b>	<b>(4,028)</b>
Interest income			686	194
Corporate finance overheads			(7,048)	(110)
Group overheads			(18,729)	(14,925)
			<b>(31,047)</b>	<b>(18,869)</b>

### By geographical locations

	Turnover		Contribution to (loss) profit from operations	
	1st April, 2000 to 30th September, 2000 HK\$'000	1st April, 1999 to 30th September, 1999 HK\$'000	1st April, 2000 to 30th September, 2000 HK\$'000	1st April, 1999 to 30th September, 1999 HK\$'000
Hong Kong	37,386	20,324	(8,249)	(5,036)
Korea	22,366	13,985	(177)	26
Mainland China	30,227	19,413	2,470	982
	<b>89,979</b>	<b>53,722</b>	<b>(5,956)</b>	<b>(4,028)</b>
Interest income			686	194
Corporate finance overheads			(7,048)	(110)
Group overheads			(18,729)	(14,925)
			<b>(31,047)</b>	<b>(18,869)</b>

### 3. Depreciation and amortisation

During the period, depreciation of HK\$5.5 million (HK\$6.3 million for the six months ended 30th September, 1999) was charged to the income statement in respect of the Group's property, plant and equipment and amortisation of HK\$0.8 million (HK\$1.3 million for the six months ended 30th September, 1999) was charged to the income statement in respect of the Group's prepaid rentals.

### 4. Other expenses

	<b>1st April, 2000 to 30th September, 2000 HK\$'000</b>	1st April, 1999 to 30th September, 1999 HK\$'000
Unrealised holding loss of other investments	<b>6,191</b>	—
Provision for bad debts	<b>4,821</b>	—
Prepaid rentals written off (Note)	<u>—</u>	<u>4,835</u>
	<b><u>11,012</u></b>	<u>4,835</u>

Note: The unamortised prepaid rentals in respect of three vessels were written off as a result of early termination of that rental agreement.



## 5. Taxation

<b>1st April, 2000 to 30th September, 2000 HK\$'000</b>	1st April, 1999 to 30th September, 1999 HK\$'000
---	--

The charge comprises:

The Company and its subsidiaries:

Hong Kong Profits Tax	—	773
Taxation in other jurisdictions	—	455
	<u>—</u>	<u>1,228</u>

No provision for Hong Kong Profits Tax has been made in the current period as the Group did not have any assessable profit in the period. Hong Kong Profits Tax was calculated at 16% of the estimated assessable profit for the previous period.

Taxation in other jurisdictions is calculated at rates prevailing in respective jurisdictions.

## 6. (Loss) Earnings per share

The calculation of the basic and diluted (loss) earnings per share is computed based on the following data:

	<b>1st April, 2000 to 30th September, 2000 HK\$'000</b>	1st April, 1999 to 30th September, 1999 HK\$'000
(Loss) Earnings:		
Net (loss) profit for the period and (loss) earnings for the purposes of basic (loss) earnings and diluted (loss) earnings per share	<b><u>(35,715)</u></b>	<u>85,257</u>
Number of shares:		
Weighted average number of shares for the purpose of basic (loss) earnings per share	<b>1,166,635,000</b>	845,728,000
Effect of dilutive potential shares:		
— Share options	<b>N/A</b>	34,122,000
— Warrants	<b><u>N/A</u></b>	<u>8,974,000</u>
Weighted average number of shares for the purposes of diluted (loss) earnings per share	<b><u>N/A</u></b>	<u>888,824,000</u>

No diluted loss per share has been calculated for the six months ended 30th September, 2000 as the exercise of the share options and warrants would result in a decrease in the loss per share for the period.

## 7. Additions to property, plant and equipment

During the period, the Group spent approximately HK\$1.7 million (HK\$0.9 million for the six months ended 30th September, 1999) on property, plant and equipment.

## 8. Debtors, deposits and prepayments

The Group allows an average credit period ranging from 60 to 90 days to its trade customers.

At 30th September, 2000, the balance of debtors, deposits and prepayments included trade debtors of HK\$21,504,000. The aging analysis of trade debtors at the reporting date is as follows:

	<b>30th September, 2000 HK\$'000</b>
0-60 days	<b>15,925</b>
61-90 days	<b>1,487</b>
>90 days	<b>4,092</b>
	<hr/>
	<b>21,504</b>
	<hr/>

## 9. Creditors and accrued charges

At 30th September, 2000, the balance of creditors and accrued charges included trade creditors of HK\$10,247,000. The aging analysis of the trade creditors at the reporting date is as follows:

	<b>30th September, 2000 HK\$'000</b>
0-60 days	<b>7,488</b>
61-90 days	<b>85</b>
>90 days	<b>2,674</b>
	<hr/>
	<b>10,247</b>
	<hr/>

## 10. Share capital

	Number of shares	Issued and full paid share capital HK\$'000
<b>Share of HK\$0.10 each:</b>		
Balance at 1st April, 2000	1,160,003,315	116,000
Issue of shares:		
— upon exercise of share options under the share option scheme	1,331,000	133
— upon exercise of share options granted to certain placees	<u>10,000,000</u>	<u>1,000</u>
Balance at 30th September, 2000	<u>1,171,334,315</u>	<u>117,133</u>

## 11. Reserves

	Share premium HK\$'000	Other property revaluation reserve HK\$'000	Translation reserve HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Other reserve HK\$'000	Deficit HK\$'000	Total HK\$'000
At 1st April, 2000	480,937	33,618	887	26,795	1,190	23,322	(398,469)	168,280
Premium arising from issue of shares upon exercise of share options	6,380	—	—	—	—	—	—	6,380
Exchange differences arising on translation of operations outside Hong Kong	—	—	37	—	—	—	—	37
Share of movement of translation reserve of associates	—	—	11	—	—	—	—	11
Net loss for the period	—	—	—	—	—	—	(35,715)	(35,715)
At 30th September, 2000	<u>487,317</u>	<u>33,618</u>	<u>935</u>	<u>26,795</u>	<u>1,190</u>	<u>23,322</u>	<u>(434,184)</u>	<u>138,993</u>

## 12. Contingencies and commitments

### (a) Contingencies

	<b>30th September, 2000 HK'000</b>	31st March, 2000 HK'000
Bills discounted with recourse	—	10,282
Guarantees issued by banks on behalf of the Group in favour of certain creditors	<u>600</u>	<u>600</u>
	<u><b>600</b></u>	<u>10,882</u>

### (b) Capital commitments

	<b>30th September, 2000 HK'000</b>	31st March, 2000 HK'000
Capital commitments contracted for the acquisition of property, plant and equipment but not provided in the financial statements	<u>1,270</u>	<u>2,064</u>

### 13. Post balance sheet events

- (a) On 16th June, 2000, the Company entered into a conditional agreement in connection with the acquisition of the entire interest of Telhope Information Development Company Limited (“Telhope”) for a consideration of HK\$308 million. Telhope is a limited liability company incorporated in Hong Kong and is engaged as the service provider of international direct dial (“IDD”) fax and voice virtual private network and broad-band satellite network globally with a particular focus on the People’s Republic of China. Telhope currently serves as a wholesaler of IDD services to major telecommunications carriers and a retailer of IDD services. The consideration will be settled by applying the HK\$20 million deposit previously paid and the balance of HK\$288 million by the issue and allotment of 320,000,000 consideration shares upon completion. The agreement shall be null and void and of no further effect in the event that stated conditions are not fulfilled on or before 30th September, 2000 or such a later date under both the Company and the vendor consent in writing.

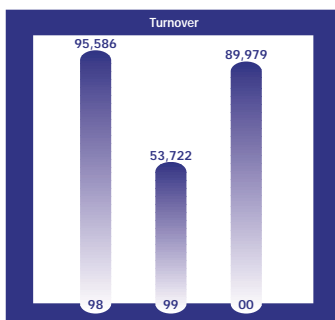
Subsequent to 30th September, 2000, the Company and the vendor mutually agreed in writing to further extend the deadline for fulfilment of all the conditions of the agreement to 31st December, 2000 or such other date as the Company and the vendor may agree in writing. Accordingly, the date of completion will be extended to 10th January, 2001 or such other date as the Company and the vendor may agree.

- (b) Subsequent to 30th September, 2000, the Group disposed of its entire interest in the issued share capital of four wholly-owned subsidiaries together with the assignment of intercompany debts with an aggregate consideration of HK\$6.5 million.

## INTERIM DIVIDEND

The Directors have resolved not to declare any interim dividend for the six months ended 30th September, 2000 (1999: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS



Six Months Ended 30th September

For the six months ended 30th September, 2000, the Group's turnover was HK\$89,979,000 (1999: HK\$53,722,000) representing an increase of 67.5% as compared with the same period of last year due to the continued improvement on turnover of major segments.

The gross profit increased from the corresponding period of last year of HK\$9,871,000 to the period under review of HK\$12,618,000, representing an increase of HK\$2,747,000 or 27.8% was considered to be caused by, in addition to the increase of the turnover of profitable operations of vessel operation common carrier and air and sea freight forwarding services, the successful cost control exercise.

The loss from operations was increased from the corresponding period of last year of HK\$18,869,000 to the period under review of HK\$31,047,000, an increase of HK\$12,178,000. The increase of loss from operations was due to the provision of HK\$6,191,000 for the unrealized holding loss for certain strategic investments, the provision of HK\$4,821,000 for the portion written off for certain long outstanding debts as well as the increase in corporate finance overheads resulting from acquisition exercises.

The Group's unaudited net loss, attributable to shareholders for the half year ended 30th September, 2000 was HK\$35,715,000 (1999: a profit of HK\$85,257,000). The adverse change was, besides the increase in loss from operations by HK\$12,178,000, due to the effect of an one-off gain of approximately



HK\$107,894,000 from the waiver of deposits and claims from Central China Enterprises Limited recorded in the corresponding period of 1999 and the share of a loss of HK\$4,609,000 from associates. Loss per share was 3.1 cents compared with earnings per share of 10.1 cents in the last corresponding period.

### Gearing

The total trade debts of the Group of HK\$46,892,000 was in line with the level of last year of HK\$46,329,000 and represent an improvement of working capital management with reference to the substantial increase of turnover due to the implementation of certain credit control policies. As at 30th September, 2000, the Group has a working capital fund of HK\$123,160,000 together with a fully secured unutilized standby banking facilities of HK\$8,348,000 means that the Group is virtually under a debt free situation.

### Capital Structure

	<b>At 30th September, 2000 (unaudited) HK'000</b>	At 31st March, 2000 (audited) HK'000
Share capital	<b>117,133</b>	116,000
Reserves	<b><u>138,993</u></b>	<u>168,280</u>
Shareholders' funds	<b><u>256,126</u></b>	<u>284,280</u>

The Group's share capital was increased from HK\$116,000,000 as at 31st March, 2000 to HK\$117,133,000 due to the exercise of share options by employees and certain placees during the six months ended 30th September, 2000.

The decrease in the Group's total shareholders' funds decreased from HK\$284,280,000 as at 31st March, 2000 to HK\$256,126,000 as at 30th September, 2000 was mainly due to the loss of HK\$35,715,000 for the six months ended 30th September, 2000.



## Liquidity and Financial Resources

	Six month ended 30th September, 2000 (unaudited) HK'000	Year ended 31st March, 2000 (audited) HK'000
Net cash outflow from operating activities	<b>(63,190)</b>	(42,754)
Net cash inflow (outflow) from:		
Returns on investments and servicing of finance	<b>538</b>	(700)
Taxation	—	65
Investing activities	<b>3,211</b>	(53,272)
Net cash inflow from financing	<b>7,436</b>	210,830

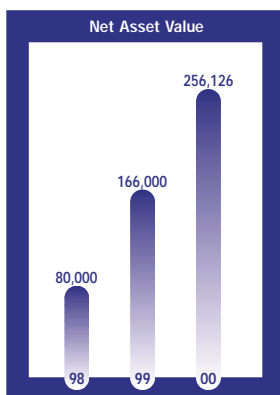
Despite the net cash outflow from investing activities was notably improved during the period, the Group's liquidity and financial resources were still adversely affected by the increase of net cash outflow from operating activities and the substantial decrease in net cash inflow from financing.

In respect of the increase of net cash outflow from operating activities, loss from ordinary activities, increase in strategic investments and the settlement of certain payable during the six months ended 30th September, 2000 were considered as the major causes of the increase of cash outflow.

Regarding the substantial decrease of net cash inflow from financing, the substantial decrease in the proceeds from issue of shares and warrants for the six months ended 30th September, 2000 was considered as the major cause.

## A STATEMENT OF UNAUDITED NET ASSETS VALUE OF THE GROUP

	HK\$'000
<b>Audited Consolidated Net Assets of the Group as at 31st March, 2000</b>	284,280
Net proceeds from the exercise of 863,000 share options of the Company by employees in April 2000	86
Net proceeds from the exercise of 218,000 share options of the Company by employees in May 2000	22
Net proceeds from the exercise of 250,000 share options of the Company by employees in June 2000	25
Net proceeds from the exercise of 10,000,000 share options of the Company by certain places in June 2000	<u>7,380</u>
sub-total	7,513
Unaudited loss attributable to the Shareholders for the six months ended 30th September, 2000 (based on the interim report of the Group)	(35,715)
Movement of Translation Reserve	<u>48</u>
<b>Unaudited Consolidated Net Assets of the Group as at 30th September, 2000</b>	<u>256,126</u>



At 30th September

## **REVIEW OF OPERATIONS**

### **Air and Sea Freight Forwarding and Vessel Operating Common Carrier (“Freight Businesses”)**

For the six months ended 30th September, 2000, the turnover of Freight Businesses was HK\$59,421,000 compared with HK\$32,577,000 in last year, an increase of HK\$26,844,000 or 82.4%. The operating profit of Freight Businesses was HK\$1,026,000 versus the operating loss for the same period of last year of HK\$3,090,000, an improvement of HK\$4,116,000. The favourable change was due to the notable improvement was attained in the operation of both Air and Sea freight and Vessel Operating Common Carrier under Freight Businesses.

#### **Air and Sea Freight**

During the period, the turnover of air and sea freight was increased by HK\$17,062,000 to HK\$37,386,000 due to the strong improvement on the exports to United States of America by air freight since the second quarter of 2000.

An improvement of profitability of Air and Sea freight from an operating loss of HK\$5,036,000 during the corresponding period of last year to an operating profit of HK\$449,000 in the six months ended 30th September, 2000 was due to the disposal of certain persisting loss companies by the end of 1999/2000 fiscal year. In order to better utilise the Group’s resources and implement cost recovery objective, such rearrangements towards the air and sea freights will be continued. Strategically, subject to the availability and the feasibility of business opportunities as well as business partner, the Group is actively exploring a business operation mode in this regard, which is different from the current high overhead retail based operation.

#### **Vessel Operating Common Carrier (“VOCC”)**

The Group’s VOCC continuously enjoyed the growing demand of inbound feeder delivery for certain routes from some of its existing customers. However, the VOCC business for different routes are not well balanced and some of the feeders are more productive while some are below capacity. This operational constraint withholds available business opportunity from the VOCC division.

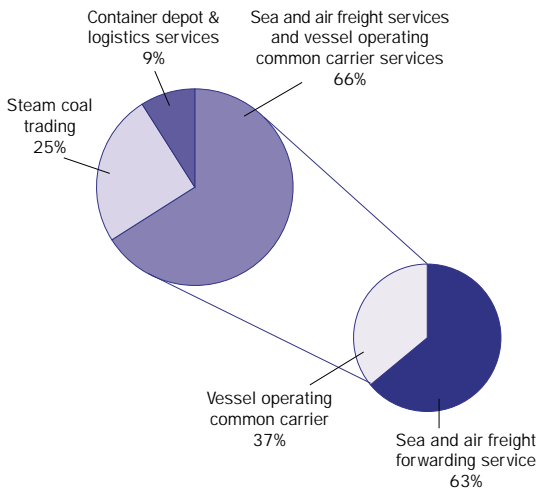
To overcome this constraint and maximize the return, the management had chartered a number of feeders not owned by the Group to run the routes where the loading being overflowed. As a result, the turnover increased by 9,782,000 to HK\$22,035,000 for the six months ended 30th September, 2000 as compared with the corresponding period of last year of HK\$12,253,000. The operating profit was HK\$577,000 versus HK\$1,946,000 in the corresponding period of last year.

The dropping of operating profit was due to the write-off of certain long outstanding debts under the group accounting policy. From long term prospective, management is intended to dispose of those feeders exclusively operated for non-profitable routes for improving the overall profitability and re-invest their sale proceeds in the profitable routes.

### Container Depot Operation

Benefiting from the recent booming economy of the People's Republic of China ("PRC") and the surge in its international trading activities, there has been high demand for storage capacity of the Group's Container Depot in Shanghai. The turnover of the container depot for the six months ended 30th September, 2000 was increased by HK\$1,032,000 or 14.4% as compared with the corresponding period of last year of HK\$7,160,000. There was an operating loss of HK\$587,000 in this period under review versus an operating loss of HK\$964,000 for the corresponding period of last year. The loss was considered due to the imposition of business tax on facility rental income. However, in view of the rapid growth of the terminal business in Huangpu River's bank, it is expected the container depot operation will continue to accommodate for more business volume generated in this region.

### Turnover Analysis by Activities



### **Trading of Steam Coal**

The trading of steam coal for the six months ended 30th September, 2000 has increased by HK\$8,381,000 or 59.9% to a record high of HK\$22,366,000. However, an operating loss of HK\$177,000 was resulted owing to the profitability eroded by the keen competition in the coal trading market. In order to avoid further loss, the management will downsize the trading activities.

### **Strategic Investments**

In accordance with the Group's accounting policy, a sum of HK\$6,191,000 has been set aside as provision for diminution in value for certain strategic investments in hand. In view of the rapid set back of the stock market in Hong Kong, the Group will reconsider its investments' portfolio.

### **Employees and Remuneration Policy**

As at 30th September, 2000 the Group employed approximately 371 staff with around 69 staff in Hong Kong and 302 staff in Mainland including 146 staff hired in PRC associates. In order to maintain the competitive strength, the Group continued to trim down the size of the workforce and improved the overall efficiency and productivity of employees by means of implementation of an effective rewarding system. Under the rewarding system, staff will, in accordance to their seniority and performance, be entitled to discretionary bonus, share option scheme, medical allowance and hospitalization scheme, housing reimbursement and tax subsidy.

### **NEW VENTURES**

#### **Education Software**

Beijing Willy Science and Technology Development Corporation Limited ("Willy"), a 50% owned associate in developing educational software and other multi-media products in PRC. Willy operation continues to be stable and has successfully established an educational portal for its products (<http://www.wemay.com>) and is now undergoing to construct a new portal backed up by a leading educational institution in Beijing.

#### **Telecommunications**

As mentioned in the 2000 Annual Report of the Company, the Group entered into a conditional agreement on 16th June, 2000 in connection with the acquisition of the entire interest of a Hong Kong based telecommunications company, Telhope Information Development Company Ltd. ("Telhope"). In view of the fierce competition in the local telecommunications market, the Group has adopted a more prudent approach to extend the completion deadline to 31st December, 2000 in order to carry out a detailed review on the business prosperity and operations of Telhope.

## PROSPECTS

The Year 2000 witnessed various transformations taken place in most business ventures in Hong Kong and other Asian countries through the interaction of the old economy and the new economy. The Group has successfully gone beyond its traditional core businesses, the freight forwarding and the related businesses, and strategically established its presence in the information and technology arena.

Furthermore, subsequent to the period end, the Company has entered into a heads of agreement with Warren Capital Group Ltd. in which the Company will negotiate for a formal agreement to acquire 10% equity interest of Health Tech Development Ltd. ("Health Tech"), a developer of on-line application services provider for personal health care services with the consideration of HK\$17,850,000, provision of a loan of HK\$17,850,000 and an option to acquire further 10% interest of enlarged capital of Health Tech. This represents a further attempt to tap into the information technology in healthcare as one of emerging lucrative niche markets in Asia.

Among the high-tech investment opportunities, the Group has strategically selected, as an initial attempt, an investment opportunity in a high tech venture in the PRC on the area of education, which is endorsed as one of major national-wide support areas under the mission "Strengthen the Nation through Scientific and Educational Advancement" officially laid down by PRC Central Committee as strategic development for the PRC in the new century.

It is anticipated that the admission of Mainland China into the World Trade Organization ("WTO") will be concluded hopefully in the early of 2001. Hong Kong's world class transportation infrastructure and its proximity to Shenzhen should without doubt lend itself as the PRC's number one gateway entreport and distribution center to directly benefit from emerging business opportunity following China's WTO entry. The Company will be posed to grasp the market opportunity and actively studying each business opportunity. It is contemplated that a new way of transport mode such as a direct cross-broader virtual Super link from the starting destination to final receiving point with a full support of international and domestic airlines' networks and the airports in Hong Kong and Shenzhen will be emerged and could be one of these opportunities in and as a strategical direction for the Group to re-organize for its transportation and freight related business activities.

Earlier this year, the Group has begun its cost reduction plan to streamline its manpower and operation flows. Disposal of some non-productive operations will be continued as part of the future business re-arrangements of the Group. The Group will continue to be selective and prudent in selecting direct investments opportunities and ensure all new investments acquired that can complement its current businesses.



## DISCLOSURE OF INTERESTS

### Directors' Interests

As at 30th September, 2000, the interest of the directors and chief executives in the securities of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance of Hong Kong (the "SDI Ordinance")) as recorded in the register required to be kept under Section 29 of the SDI Ordinance were as follows:

#### *Interests in Shares*

Director	Number of ordinary shares		Total
	Personal interest	Corporate interest	
Mr. Hon Ming Kong	20,430,000	429,650,242 (Note)	450,080,242
Mr. Liang Jun	9,650,000	—	9,650,000
Mr. Ngai Wai Fung	7,150,000	—	7,150,000
Mr. Tsoi Wai Kwong	9,630,000	—	9,630,000
Mr. Bhavnani Ramchand Harumal	1,000,000	—	1,000,000

Note: The shares are held by Sincere Bonus Investment Ltd., a company wholly-owned by Mr. Hon Ming Kong.

Save as disclosed above, as at 30th September, 2000, none of the directors and chief executives had any interests in the securities of the Company and its associated corporations (within the meaning of the SDI Ordinance), and none of the directors and chief executives or their respective spouses or children under 18 years of age, had any right to subscribe for the securities of the Company, or had exercised any such right during the six months ended 30th September, 2000.

### Directors' Rights to Acquire Shares or Debentures

Pursuant to the Share Options Scheme of the Company adopted on 16th September 1994, no share option has been granted to the directors during the six months ended 30th September, 2000.

Save as disclosed above, at no time during the period was the Company, its former holding company or any of its subsidiaries a party to any arrangement to enable a director of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Save as disclosed above, none of the directors, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the six month ended 30th September, 2000.

### **Substantial Shareholders' Interests**

At 30th September, 2000, the register of the substantial shareholders maintained by the Company under Section 16(1) of the SDI Ordinance showed that the following shareholders were interested 10% or more of the issued share capital of the Company:

<b>Name</b>	<b>Number of shares held</b>
Sincere Bonus Investment Ltd.	429,650,242

Other than as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 30th September, 2000.

### **CORPORATE GOVERNANCE**

None of the directors is aware of any information that would reasonably indicate that the Company is not, or was not during the six months ended 30th September, 2000 in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### **AUDIT COMMITTEE**

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial reports.

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the period, there was no purchase, sale or redemption by the Company, or any of its subsidiaries of the listed securities of the Company.

### **APPRECIATION**

On behalf of the Board, I would like to extend my sincere gratitude to our shareholders, customers, suppliers, bankers and professional advisors for their continued support. May I also thank my fellow directors and our staff for their dedication and contribution in the first half of the year.

By Order of the Board  
**Hon Ming Kong**  
*Chairman*

Hong Kong, 27th December, 2000



## INDEPENDENT REVIEW REPORT

### 德勤·關黃陳方會計師行

Certified Public Accountants  
26/F, Wing On Centre  
111 Connaught Road Central  
Hong Kong

香港中環干諾道中111號  
永安中心26樓

**Deloitte  
Touche  
Tohmatsu**

## TO THE BOARD OF DIRECTORS OF ORIENTAL UNION HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

### Introduction

We have been instructed by the directors of the Company to review the interim financial report set out on pages 2 to 14.

### Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") require the preparation of an interim financial report to be in compliance with the Statement of Standard Accounting Practice No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants ("SSAP 25"). However, the Listing Rules permit departure from SSAP 25 in that comparative figures are not required either for the statement of recognised gains and losses or for the first cash flow statement to be included in the interim financial report relating to accounting period ended on or after 1st July, 2000. The interim financial report is the responsibility of, and has been approved by, the directors.

### Review work performed

We conducted our review in accordance with the Statement of Auditing Standards 700 "Engagements to review interim financial reports" ("SAS 700") issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the interim financial report.



**Review conclusion**

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th September, 2000.

Without modifying our review conclusion, we draw to your attention that the comparative condensed consolidated income statement for the six months ended 30th September, 1999 disclosed in the interim financial report has not been reviewed in accordance with SAS 700.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong, 27th December, 2000