

# Notes to the Condensed Consolidated Financial Statement



FOR THE SIX MONTHS ENDED 31 ST OCTOBER, 2000

## 1. ACCOUNTING POLICIES

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

The interim report has been prepared in accordance with the Statement of Standard Accounting Practice No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants ("SSAP 25"), except that comparative figures are not presented 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 periods ended on or after 1 st 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 30th April, 2000.

## 2. SEGMENT INFORMATION

	Turnover		Contribution to operating results	
	For the six months ended 31st October,		For the six months ended 31st October,	
	2000	1999	2000	1999
	HK\$	HK\$	HK\$	HK\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Business segments				
Principal activity:				
Sea freight	<b>16,899,163</b>	31,079,887	<b>3,004,556</b>	5,479,681
Road freight	<b>95,431</b>	114,677	<b>(102,420)</b>	(322,022)
Air freight	<b>522,751</b>	1,058,962	<b>113,123</b>	242,125
Others	<b>63,058</b>	2,315,755	<b>5,725</b>	705,778
	<b>17,580,403</b>	34,569,281	<b>3,020,984</b>	6,105,562

## 2. SEGMENT INFORMATION (Continued)

	Turnover		Contribution to	
	For the six months		operating results	
	ended 31st October,		ended 31st October,	
	2000	1999	2000	1999
	HK\$	HK\$	HK\$	HK\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Unallocated corporate revenue (expenses)				
other revenue			23,653,622	790,511
administrative expenses			(12,910,471)	(22,104,950)
distribution costs			(210,885)	(781,663)
provision for impairment in value of properties			—	(2,100,000)
Profit/(loss) from operations			<u>13,553,250</u>	<u>(18,090,540)</u>
Geographical segments				
Hong Kong	6,122,952	10,789,320	918,743	2,274,990
Asia Pacific other than Hong Kong	10,767,703	10,474,094	2,028,389	2,875,493
North America	123,652	8,268,862	12,840	329,370
Europe	566,096	5,037,005	61,012	625,709
	<u>17,580,403</u>	<u>34,569,281</u>	<u>3,020,984</u>	<u>6,105,562</u>

### 3. DEPRECIATION AND AMORTISATION

During the period, depreciation and amortisation of approximately HK\$716,000 (1999: approximately HK\$609,000) was charged in respect of the Group's property, plant and equipment.

### 4. OTHER REVENUE

	For the six months ended 31st October,	
	2000	1999
	HK\$	HK\$
	(unaudited)	(unaudited)
Other revenue comprises:		
Interest income	15,236,629	197,150
Write back of trade and other payables	6,382,805	—
Bad debts recovered	1,399,952	—
Rental income	417,954	—
Others	199,823	—
Dividend income from other investments	16,459	593,361
	<u>23,653,622</u>	<u>790,511</u>

### 5. TAXATION

No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries did not have any assessable profits for the period.

### 6. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the period (six months period ended 31st October, 1999: nil).

## 7. EARNINGS/(LOSS) PER SHARE

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

	Six months ended	
	31.10.2000 (unaudited)	31.10.1999 (unaudited)
Net profit/(loss) for the period	<b><u>HK\$15,346,784</u></b>	<b><u>HK\$(40,268,953)</u></b>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	<b><u>5,275,272,611</u></b>	662,603,046
Effect of dilutive share options	<b><u>610,159,131</u></b>	—
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	<b><u>5,885,431,742</u></b>	<b><u>662,603,046</u></b>

Diluted loss per share for the six months period ended 31st October, 1999 was not presented as the exercise prices of the Company's outstanding share options were higher than the market price of the Company's shares during such period.

## 8. PROPERTY, PLANT AND EQUIPMENT

During the six months period ended 31st October, 2000, the Group spent approximately HK\$6,700,000 on property, plant and equipment (six months period ended 31st October, 1999: nil).

The Group is in the process of obtaining land use right certificates or certificates of housing ownership for certain properties located in the People's Republic of China with aggregate net book values of approximately HK\$2,200,000 as at 31st October, 2000 (30.4.2000: approximately HK\$2,200,000).

## 9. TRADE RECEIVABLES

The Group has defined credit policy for its customers.

Details of the aging analysis of trade receivables are as follows:

	<b>At 31st October, 2000</b>
	<b>HK\$</b>
	<b>(unaudited)</b>
0-30 days	1,005,575
31-60 days	1,007,966
61-90 days	358,540
> 90 days	472,199
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	<b>2,844,280</b>
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## 10. TRADE PAYABLES

Details of the aging analysis of trade payables are as follows:

	<b>At 31st October, 2000</b>
	<b>HK\$</b>
	<b>(unaudited)</b>
0-30 days	1,027,923
31-60 days	1,013,132
61-90 days	503,129
> 90 days	5,117,669
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	<b>7,661,853</b>
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## 11. SHARE CAPITAL

	Number of shares	Value HK\$
Shares of HK\$0.10 each		
Authorised:		
At 1st May, 1999 and 30th April, 2000	1,000,000,000	100,000,000
Increase during the period	<u>9,000,000,000</u>	<u>900,000,000</u>
At 31st October, 2000	<u><u>10,000,000,000</u></u>	<u><u>1,000,000,000</u></u>
Issued and fully paid:		
At 1st May, 1999	662,603,046	66,260,305
Exercise of share options	<u>2,175,000</u>	<u>217,500</u>
At 30th April, 2000	664,778,046	66,477,805
Issue of new shares	<u>4,961,000,000</u>	<u>496,100,000</u>
At 31st October, 2000	<u><u>5,625,778,046</u></u>	<u><u>562,577,805</u></u>



## 11. SHARE CAPITAL (Continued)

On 17th January, 2000, the Company issued 2,175,000 shares of HK\$0.10 each to share options holders at a subscription price of HK\$0.10 per share. These new shares ranked pari passu with the existing shares in all respects.

Pursuant to resolutions passed at the special general meeting of the Company held on 9th May, 2000:

- (i) the authorised share capital of the Company was increased from HK\$100,000,000 to HK\$1,000,000,000 by the creation of an additional 9,000,000,000 shares of HK\$0.10 each; and
- (ii) the Company issued 4,961,000,000 shares of HK\$0.10 each at HK\$0.10 per share to several independent investors. These new shares rank pari passu with the existing shares in all respects.

During the six months period ended 31st October, 2000, the Company granted 1,124,000,000 share options at a consideration of HK\$0.01 for each option to independent investors to subscribe for 1,124,000,000 new shares of the Company at an initial exercise price of HK\$0.10 per share, subject to adjustments. These options are exercisable at any time within two years from the date of grant of such options. In addition, the Company also granted 26,000,000 share options to certain employees of the Company to subscribe for 26,000,000 new shares of the Company at an initial exercise price of HK\$0.10 per share at a consideration of HK\$1 for each grantee on 31st October, 2000. These options will be expired on 31st October, 2005.

## 12. RESERVES

	Share premium HK\$	Capital reserve HK\$	Exchange reserve HK\$	Special reserve HK\$	Other reserve HK\$ (Note)	Deficit HK\$	Total HK\$
At 1st May, 1999	72,727,480	9,388,960	(431,714)	(98,362)	—	(66,468,459)	15,117,905
Share issue expenses	(18,772)	—	—	—	—	—	(18,772)
Net loss for the year	—	—	—	—	—	(59,822,058)	(59,822,058)
At 30th April, 2000	72,708,708	9,388,960	(431,714)	(98,362)	—	(126,290,517)	(44,722,925)
Share issue expenses	(12,692,842)	—	—	—	—	—	(12,692,842)
Arising on granting of share options	—	—	—	—	11,240,000	—	11,240,000
Net profit for the period	—	—	—	—	—	15,346,784	15,346,784
At 31st October, 2000	<u>60,015,866</u>	<u>9,388,960</u>	<u>(431,714)</u>	<u>(98,362)</u>	<u>11,240,000</u>	<u>(110,943,733)</u>	<u>(30,828,983)</u>

Note: Other reserve represents the amount received in relation to the granting of share options to several independent investor during the period. The reserve would be released to the share premium account upon exercise of options and it would be released to retained earnings upon expiry of the unexercised options.

### **13. PLEDGE OF ASSETS**

At 31st October, 2000, the Group has pledged property, plant and equipment with aggregate net book values of approximately HK\$5,482,000 to secure general banking facilities granted to the Group (30.4.2000: approximately HK\$7,139,000).

At 30th April, 2000, the Group's bank deposits of HK\$100,000 had been pledged to a bank as security for the provision of counter-indemnities in favour of certain independent suppliers.

### **14. CAPITAL COMMITMENTS**

At 31st October, 2000, the Group had capital expenditure authorised but not contracted for in respect of investment projects of approximately HK\$37,250,000 (30.4.2000: nil) pursuant to the alliance with Microsoft Hong Kong Limited in the development of mobile internet and related solutions. In addition, at 31st October, 2000, the Group had capital expenditure contracted for but not provided in the financial statements in respect of investment securities of HK\$19,375,000 (30.4.2000: nil).

### **15. CONTINGENT LIABILITIES**

At 31st October, 2000, the Group was involved in various litigations under which claims totalling approximately HK\$855,000 (30.4.2000: approximately HK\$746,000) have been made by customers and a third party. The outcome of these legal cases remains uncertain and the claims are being vigorously contested by the Group. In the opinion of the directors, these claims are without merit and no provision is considered necessary for any potential liability in respect of these claims at the interim reporting date and at 30th April, 2000.

At 30th April, 2000, the Group had outstanding guarantee issued to a third party amounting to approximately HK\$300,000 in respect of facilities granted to the Group.

## 16. RELATED PARTY TRANSACTIONS

Details of significant related party transactions during the interim reporting period are as follows:

	For the six months ended 31st October,	
	2000	1999
	HK\$	HK\$
	(unaudited)	(unaudited)
Administrative fees paid to the Company's former ultimate holding company	—	150,000
Legal fees paid to a firm in which a former director of the Company has interest	<b>534,000</b>	—

Administrative fees were allocated based on costs incurred and legal fees were calculated based on time spent and costs incurred.

Save as disclosed above, there were no other significant transactions with related parties during the interim reporting period or significant balances with them at 31st October, 2000.

## 17. POST BALANCE SHEET EVENTS

Subsequent to 31st October, 2000, the Group made a further investment of approximately HK\$19.4 million in Core Solutions Limited ("Core"), a provider of e-commerce solutions and consulting services to blue-clip corporations in Asia. Upon completion of this acquisition, the Group's equity interest in Core was increased to 20%.

A legal action (the "Action") was commenced against, inter alia, the Company and certain existing directors of the Company ("Certain Existing Directors") by Long Lead Investments Limited ("Long Lead"), a substantial shareholder of the Company holding approximately 13.9% of the existing share capital of the Company at 31st October, 2000.

On 16th December, 2000, as an order ancillary to the Action, the High Court granted an ex parte injunction restraining the Company, Certain Existing Directors and the Proposed Director from implementing certain resolutions passed at a board meeting of the Company convened on 12th December, 2000 regarding two proposed investments by the Company and the appointment of the Proposed Director. This injunction was discharged by agreement between the parties on 22nd December, 2000.

On 17th December, 2000, as an additional order ancillary to the Action, the High Court granted an ex parte injunction restraining the Company and Certain Existing Directors from, inter alia, passing any resolutions at a board meeting of the Company convened on 18th December, 2000 to consider, inter alia, a further investment by the Company. On 19th December, 2000, the High Court ruled that the said injunction lapsed on 19th December, 2000. Long Lead then applied to the High Court for a further injunction in respect of the same matters. The High Court declined to grant a further injunction in terms sought by Long Lead. On 20th December, 2000, Long Lead appealed to the Court of Appeal against High Court's decision not to grant a further injunction and such appeal was not allowed.

Details of the above events have been disclosed in announcements issued by the Company on 21st December, 2000 and 3rd January, 2001, respectively.