

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March, 2001

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda. Its shares and warrants are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company is an investment holding company. The Group continues to be engaged in the transport industry, which includes services of direct shipment, transshipment, drayage of cargo and charter hiring of vessels. In addition, the Group also diversified its activities into the sales of airline tickets, provision of travel-related services and the operation of a restaurant.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared on a going concern basis because the directors, after giving careful consideration to the future liquidity of the Group in light of the Group's net current liabilities of approximately HK\$26,180,000, are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties, land and buildings, tug boats, barges and vessels, and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March, each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant inter-company transactions and balances within the Group have been eliminated on consolidation.

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OTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March, 2001

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary and is written off to reserves immediately on acquisition. Negative goodwill, which represents the excess of the fair value ascribed to the Group's share of the separable net assets over the purchase consideration at the date of acquisition of a subsidiary is credited to reserves.

Any premium or discount arising on the acquisition of an interest in an associate, representing the excess or shortfall respectively of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets of the associate at the date of acquisition, is dealt with in the same manner as that described above for goodwill.

On disposal of investments in subsidiaries or associates, the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

Investments in subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are stated in the Company's balance sheet at cost less any impairment loss.

Interests in associates

An associate is an enterprise over which the Group is in a position to exercise significant influence through participation in the financial and operating policy decisions of the investee.

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year and the consolidated balance sheet includes the Group's share of the net assets of the associates.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March, 2001

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Service income is recognised when services are provided.

Vessel charterhire income is recognised on a straight line basis over the charterhire period.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Rental income, including rentals invoiced in advance, from properties let under operating leases, is recognised on a straight line basis over the period of the respective leases.

Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the leased assets to the Group. Assets held under finance leases are capitalised at their fair values at the date of inception of the leases. The outstanding principal portion of the leasing commitments are shown as obligations of the Group. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant leases so as to produce a constant periodic rate of charge on the remaining balances of the obligations for each accounting period.

All other leases are classified as operating leases and the rentals payable are charged to the income statement on a straight line basis over the period of the respective leases.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on annual professional valuation at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a deficit on a portfolio basis, in which case the excess of deficit over the balance on the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

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OTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March, 2001

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties *(continued)*

On disposal of an investment property, the balance in the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided in respect of investment properties which are held on leases with unexpired terms of more than 20 years.

Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less depreciation and amortisation at the balance sheet date.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

In previous year, land and buildings were stated at cost less depreciation and amortisation. During the year, the directors have considered that land and buildings stated at valuation would provide a better and more appropriate indication of the carrying value of land and buildings. Accordingly, the directors have decided to state all the Group's land and buildings at their revalued amount. As the Group's only land and buildings were acquired during the year ended 31 March, 2000 at a consideration paid with reference to a valuation made on an open market value basis by Lawson David & Sung Surveyors Limited, an independent firm of valuers, at 6 October, 1999, the adoption of this new accounting policy would have no impact on the Group's net assets at 31 March, 2000, nor would there be any impact on the Group's results for the year then ended. Accordingly, no prior year adjustment is required.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March, 2001

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Land and buildings, tug boats, barges and vessels are stated in the balance sheet at their revalued amount, being the fair value on the basis of their existing use at the date of revaluation less any subsequent accumulated depreciation and amortisation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any surplus arising on revaluation of tug boats, barges and vessels is credited to the asset revaluation reserve, whereas surplus arising on revaluation of land and buildings is credited to the other property revaluation reserve, except to the extent that the surplus reverses a revaluation decrease of the same asset previously recognised as an expense, in which case this surplus is credited to the income statement to the extent of the deficit previously charged. Any decrease in net carrying amount arising on revaluation of an asset will be charged to the income statement to the extent that it exceeds the surplus, if any, held in the revaluation reserve relating to a previous revaluation of that particular asset. On the subsequent disposal or retirement of a revalued asset, the attributable revaluation surplus not yet transferred to retained profits in prior years will be transferred to retained profits.

The valuation of leasehold land is amortised over the period of the lease using the straight line method.

The valuation of buildings is depreciated over 25 years or over the period of the lease, if shorter, using the straight line method.

Depreciation is provided to write off the cost or valuation of other property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Tug boats, barges and vessels	7.7% - 33 $\frac{1}{3}$ %
Containers	8 $\frac{1}{3}$ % - 33 $\frac{1}{3}$ %
Furniture, fixtures and office equipment	20% - 50%
Leasehold improvements	20% - 50%
Machinery and equipment	20% - 30%
Motor vehicles	20% - 30%
Tractors and trailers	20% - 30%
Wharf equipment	20%
Yacht	20%

Assets held under finance leases are depreciated on the same basis as assets owned by the Group or over the period of the leases, if shorter.

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OTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March, 2001

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Certain items of income and expense are recognised for tax purposes in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed under the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on translation are dealt with in the income statement.

On consolidation, the financial statements of overseas operations are translated at the rates ruling on the balance sheet date. All exchange differences arising on translation are dealt with in reserves.

Cash equivalents

Cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are within three months of maturity when acquired, less advances from banks which are repayable within three months from the dates of the advances.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March, 2001

4. SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to loss from operations by activity and geographical region is as follows:

	Turnover		Loss from operations	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Activity				
Direct shipment and transhipment of cargo	126,622	264,969	(81,039)	(33,332)
Drayage of cargo	10,027	26,692	(281)	(1,204)
Vessel charter hire	16,973	8,943	(17,762)	(7,318)
Sales of airline tickets and provision of travel-related services	13,677	1,860	(581)	(36)
Operation of a restaurant	18,656	1,142	(705)	4
	<u>185,955</u>	<u>303,606</u>	<u>(100,368)</u>	<u>(41,886)</u>
Central administrative expenses			(960)	(7,851)
Loss from operations			<u>(101,328)</u>	<u>(49,737)</u>
Geographical region				
Guangdong Province of the Mainland China	90,861	142,118	(67,294)	9,294
Taiwan	62,761	158,486	(31,788)	(51,778)
Hong Kong	32,333	3,002	(1,286)	(32)
	<u>185,955</u>	<u>303,606</u>	<u>(100,368)</u>	<u>(41,886)</u>
Central administrative expenses			(960)	(7,851)
Loss from operations			<u>(101,328)</u>	<u>(49,737)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March, 2001

5. LOSS FROM OPERATIONS

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Loss from operations has been arrived at after charging:		
Staff costs	37,515	43,072
Retirement benefits scheme contributions, net of forfeited contributions of approximately HK\$322,000 (2000: HK\$544,000)	<u>(93)</u>	<u>43</u>
Total staff costs (including directors' emoluments)	<u>37,422</u>	<u>43,115</u>
Auditors' remuneration	800	983
Depreciation and amortisation of property, plant and equipment		
— owned by the Group	29,271	28,826
— held under finance leases	4,289	8,765
Deficit arising on revaluation of investment properties	1,175	—
Deficit arising on revaluation of land and buildings	330	—
Provision for impairment in value of a vessel	2,400	—
Operating lease rentals in respect of		
— vessels and containers	10,014	14,646
— land and buildings	4,829	5,140
and after crediting:		
Gain on disposal of property, plant and equipment other than vessels and containers	2,446	381
Gross rental income on investment properties under operating leases before deduction of outgoings of HK\$23,000 (2000: HK\$39,000)	<u>916</u>	<u>214</u>

6. FINANCE COSTS

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Interest on		
— bank and other borrowings wholly repayable within five years	(4,856)	(3,815)
— finance leases	<u>(1,012)</u>	<u>(2,950)</u>
	<u>(5,868)</u>	<u>(6,765)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March, 2001

7. DIRECTORS' EMOLUMENTS

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Directors' fees:		
Executive	120	350
Independent non-executive	290	134
	<u>410</u>	<u>484</u>
Other emoluments (executive directors):		
Salaries and other benefits	1,844	2,166
Retirement benefits scheme contributions	5	—
	<u>1,849</u>	<u>2,166</u>
Total directors' emoluments	<u><u>2,259</u></u>	<u><u>2,650</u></u>

The emoluments of the directors were within the following bands:

	2001 Number of directors	2000 Number of directors
Up to HK\$1,000,000	10	17
HK\$1,000,001 - HK\$1,500,000	1	—
HK\$2,000,001 - HK\$2,500,000	—	1
	<u><u>11</u></u>	<u><u>18</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March, 2001

8. EMPLOYEES' EMOLUMENTS

The aggregate emoluments of the five highest paid individuals for the year included one (2000: one) executive director of the Company, whose emoluments are included in note 7 above. The aggregate emoluments of the remaining four (2000: four) highest paid individuals are as follows:

	2001 HK\$'000	2000 HK\$'000
Salaries and other benefits	2,156	3,936
Retirement benefits scheme contributions	6	199
	<u>2,162</u>	<u>4,135</u>

Their emoluments were within the following bands:

	2001 Number of employees	2000 Number of employees
Up to HK\$1,000,000	4	2
HK\$1,000,001 to HK\$1,500,000	—	2
	<u>4</u>	<u>2</u>

During the year, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group. In addition, no director waived any emoluments during the year.

9. TAXATION

	2001 HK\$'000	2000 HK\$'000
The (charge) credit comprises:		
Hong Kong Profits Tax calculated at 16% on the estimated assessable profit for the year	(606)	—
Mainland China income tax	(14)	—
Underprovision of Mainland China income tax	—	(198)
Deferred taxation	(92)	635
	<u>(712)</u>	<u>437</u>

No provision for Hong Kong Profits Tax had been made in the financial statements in 2000 as the Group had no assessable profit for that year.

Income tax in the Mainland China (the "PRC") is calculated at the rates pursuant to the relevant laws and regulations in the PRC.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March, 2001

10. NET LOSS FOR THE YEAR

The Group's net loss for the year includes a net loss of HK\$159,453,000 (2000: HK\$100,703,000) which has been dealt with in the financial statements of the Company.

11. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the year of HK\$109,590,000 (2000: HK\$77,004,000) and on the weighted average of 1,542,342,886 (2000:690,143,800) shares in issue during the year.

No diluted loss per share amount has been presented as the effect of the potential shares outstanding during the year was anti-dilutive.

12. INVESTMENT PROPERTIES

The Group's investment properties which are situated in Macau are held under a medium-term lease and are held for use under operating leases. They were revalued at 31 March, 2001 by Dudley Surveyors Limited, an independent firm of valuers, on an open market value basis. The deficit arising on revaluation has been charged to the income statement.

	THE GROUP <i>HK\$'000</i>
At 1 April, 1999	—
Acquisition during the year	<u>14,693</u>
At 31 March, 2000	14,693
Deficit arising on revaluation	<u>(1,175)</u>
At 31 March, 2001	<u><u>13,518</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March, 2001

13. PROPERTY, PLANT AND EQUIPMENT

	Tug boats, barges and vessels HK\$'000	Land and buildings HK\$'000	Containers HK\$'000	Furniture, fixtures and office equipment HK\$'000	Leasehold improvements HK\$'000	Machinery and equipment HK\$'000	Motor vehicles HK\$'000	Tractors and trailers HK\$'000	Wharf equipment HK\$'000	Yacht HK\$'000	Total HK\$'000
THE GROUP											
COST OR VALUATION											
At 1 April, 2000	185,060	10,307	70,780	10,491	5,747	2,667	4,486	17,314	2,734	—	309,586
Additions	—	—	—	1,156	546	80	2,340	2,298	—	1,500	7,920
Disposals	(20,720)	—	(23,115)	(5)	(757)	—	(220)	(15,082)	—	—	(59,899)
Eliminated on disposal of subsidiaries	(15,730)	—	(1,089)	(4,228)	(1,990)	(1,868)	(3,003)	(2,936)	(2,734)	—	(33,578)
Adjustment arising on revaluation	(52,860)	(825)	—	—	—	—	—	—	—	—	(53,685)
At 31 March, 2001	95,750	9,482	46,576	7,414	3,546	879	3,603	1,594	—	1,500	170,344
Comprising:											
At cost	—	—	46,576	7,414	3,546	879	3,603	1,594	—	1,500	65,112
At valuation - 2001	95,750	9,482	—	—	—	—	—	—	—	—	105,232
	95,750	9,482	46,576	7,414	3,546	879	3,603	1,594	—	1,500	170,344
DEPRECIATION AND AMORTISATION											
At 1 April, 2000	—	83	18,591	6,569	3,174	2,579	2,408	14,588	823	—	48,815
Provided for the year	20,724	412	5,536	1,682	1,374	51	1,305	2,024	252	200	33,560
Provision for impairment in value	8,107	—	—	—	—	—	—	—	—	—	8,107
Eliminated on disposals	(10,111)	—	(8,246)	(5)	(228)	—	(25)	(14,189)	—	—	(32,804)
Eliminated on disposal of subsidiaries	—	—	(1,079)	(3,418)	(1,976)	(1,834)	(2,354)	(922)	(1,075)	—	(12,658)
Eliminated on revaluation	(18,720)	(495)	—	—	—	—	—	—	—	—	(19,215)
At 31 March, 2001	—	—	14,802	4,828	2,344	796	1,334	1,501	—	200	25,805
NET BOOK VALUES											
At 31 March, 2001	95,750	9,482	31,774	2,586	1,202	83	2,269	93	—	1,300	144,539
At 31 March, 2000	185,060	10,224	52,189	3,922	2,573	88	2,078	2,726	1,911	—	260,771

During the year, a provision for impairment in value of a vessel of approximately HK\$8,107,000 has been made following a re-assessment of the recoverable amount of the vessel carried out by the directors. Of the total provision, an amount of HK\$5,707,000 has been charged to the asset revaluation reserve and an amount of HK\$2,400,000, which represents the portion of the impairment in excess of the revaluation surplus of that particular vessel, has been charged to the income statement. Such vessel had been disposed of prior to 31 March, 2001.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March, 2001

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The Group's tug boats, barges and vessels are held for use under operating leases and were revalued at 31 January, 2001 by Kee Marine Service & Consultant Ltd., a firm of independent marine surveyors, on the basis of fair market value. The directors of the Company are of the opinion that the valuation of these tug boats, barges and vessels at 31 March, 2001 is not significantly different from the valuation as at 31 January, 2001. Accordingly, the above valuation as at 31 January, 2001 has been adopted as the valuation of the Group's tug boats, barges and vessels as at 31 March, 2001 and included in the Group's financial statements. The deficit of approximately HK\$34,140,000 arising on revaluation has been dealt with as follows:

- (i) approximately HK\$5,788,000 had been charged to the income statement; and
- (ii) approximately HK\$28,352,000 had been charged to the asset revaluation reserve.

The land and buildings which are situated in Macau are held under a medium-term lease. They were revalued at 31 March, 2001, by Dudley Surveyors Limited, an independent firm of valuers, on an open market value basis. The deficit arising on revaluation has been charged to the income statement.

If the Group's tug boats, barges and vessels and land and buildings had not been revalued, they would have been included on a historical cost basis at the following amounts:

	THE GROUP	
	Tug boats, barges and vessels <i>HK\$'000</i>	Land and buildings <i>HK\$'000</i>
Cost	124,125	10,307
Accumulated depreciation and amortisation	29,793	495
Net book value at 31 March, 2001	<u>94,332</u>	<u>9,812</u>
Net book value at 31 March, 2000	<u>105,426</u>	<u>10,224</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March, 2001

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold improvements <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY			
COST			
At 1 April, 2000	350	3,951	4,301
Additions	329	76	405
Disposals	(594)	—	(594)
	<hr/>	<hr/>	<hr/>
At 31 March, 2001	85	4,027	4,112
DEPRECIATION			
At 1 April, 2000	23	1,703	1,726
Provided for the year	97	796	893
Eliminated on disposals	(118)	—	(118)
	<hr/>	<hr/>	<hr/>
At 31 March, 2001	2	2,499	2,501
NET BOOK VALUES			
At 31 March, 2001	<u>83</u>	<u>1,528</u>	<u>1,611</u>
At 31 March, 2000	<u>327</u>	<u>2,248</u>	<u>2,575</u>

The net book value of property, plant and equipment held under finance leases at the balance sheet date comprises:

	THE GROUP		THE COMPANY	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Containers	9,359	51,821	—	—
Furniture, fixtures and office equipment	1,407	2,181	1,407	2,181
Motor vehicles	—	900	—	—
Wharf equipment	—	1,890	—	—
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>10,766</u>	<u>56,792</u>	<u>1,407</u>	<u>2,181</u>

At the balance sheet date, the Group has pledged certain of its property, plant and equipment with an aggregate net book value of HK\$68,000,000 (2000: HK\$147,970,000) to secure the credit facilities granted to the Group.

NOTES TO THE FINANCIAL STATEMENTS

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14. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Unlisted shares, at cost	180,230	180,230
Advances to subsidiaries	38,128	38,207
	<u>218,358</u>	<u>218,437</u>
Provision for impairment in value	(75,728)	(62,474)
	<u>142,630</u>	<u>155,963</u>

Details of the Company's principal subsidiaries at 31 March, 2001 are set out in note 34.

15. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Share of associates' net assets	—	1,826	—	—
Advance to an associate	34,800	—	—	—
Amounts due from associates	55	2,996	55	—
	<u>34,855</u>	<u>4,822</u>	<u>55</u>	<u>—</u>

The investment in associates at 31 March, 2001 represents the Group's indirect 50% equity interest in the issued share capital of Maniluck Enterprises Limited which is a company incorporated in Hong Kong and acts as an investment holding company.

The above lists the associate of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March, 2001

16. TRADE AND OTHER RECEIVABLES

	THE GROUP	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Trade receivables	6,878	42,279
Other receivables	1,636	7,447
	<u>8,514</u>	<u>49,726</u>

The Group allows an average credit period of 30 days to 120 days (2000: 30 days to 120 days) to its trade customers. The following is an aged analysis of trade receivables at the balance sheet date:

Age	THE GROUP	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
0 to 30 days	1,707	11,518
31 to 60 days	1,251	4,092
61 to 90 days	1,105	2,985
Over 90 days	2,815	23,684
	<u>6,878</u>	<u>42,279</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March, 2001

17. TRADE AND OTHER PAYABLES

	THE GROUP	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Trade payables	8,642	53,144
Other payables	7,302	14,528
	<u>15,944</u>	<u>67,672</u>

The following is an aged analysis of trade payables at the balance sheet date:

Age	THE GROUP	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
0 to 30 days	1,199	13,171
31 to 60 days	552	5,094
61 to 90 days	518	7,008
Over 90 days	6,373	27,871
	<u>8,642</u>	<u>53,144</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March, 2001

18. BORROWINGS

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
The borrowings comprise:				
Obligations under finance leases	7,491	20,863	609	1,316
Secured other loans	19,209	25,970	—	—
	<u>26,700</u>	<u>46,833</u>	<u>609</u>	<u>1,316</u>
The borrowings are repayable as follows:				
<i>Obligations under finance leases:</i>				
Within one year	4,458	14,472	609	1,272
More than one year but not exceeding two years	2,238	3,358	—	44
More than two years but not exceeding five years	795	3,033	—	—
	<u>7,491</u>	<u>20,863</u>	<u>609</u>	<u>1,316</u>
<i>Secured other loans:</i>				
Within one year	8,567	7,439	—	—
More than one year but not exceeding two years	8,685	7,893	—	—
More than two years but not exceeding five years	1,957	10,638	—	—
	<u>19,209</u>	<u>25,970</u>	<u>—</u>	<u>—</u>
Total borrowings	26,700	46,833	609	1,316
Less: Amount due within one year shown under current liabilities	13,025	21,911	609	1,272
Amount due after one year	<u>13,675</u>	<u>24,922</u>	<u>—</u>	<u>44</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March, 2001

19. DEFERRED TAXATION

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Balance brought forward	917	1,552
Charge (credit) for the year	92	(635)
Eliminated on disposal of subsidiaries	(753)	—
	<hr/>	<hr/>
Balance carried forward	<u>256</u>	<u>917</u>

At the balance sheet date, the major components of the Group's net deferred tax liability (asset) are as follows:

	Provided		Unprovided	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Taxation effect of timing differences arising as a result of:				
Excess of depreciation allowances claimed for tax purposes over depreciation charged in the financial statements	256	1,552	1,032	1,143
Tax losses available to set off against future assessable profits	—	(635)	(4,263)	(8,978)
	<hr/>	<hr/>	<hr/>	<hr/>
Net deferred tax liability (asset)	<u>256</u>	<u>917</u>	<u>(3,231)</u>	<u>(7,835)</u>

At the balance sheet date, the Company had an unrecognised deferred tax asset of HK\$3,129,000 (2000: HK\$2,320,000) which represents the tax effect of timing differences arising as a result of tax losses available to set off against future assessable profits.

The deferred tax asset has not been recognised in the financial statements as it is not certain that the benefit will be realised in the foreseeable future.

No provision for deferred taxation has been made in the financial statements in respect of timing differences resulting from the surplus arising on revaluation of the Group's tug boats, barges and vessels as profits arising on future disposals of these assets would not be subject to taxation. Accordingly, the surplus on revaluation does not constitute a timing difference for tax purposes.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March, 2001

20. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each		
— at 1 April, 1999	1,000,000,000	100,000
— increase in authorised share capital	1,000,000,000	100,000
	<hr/>	<hr/>
— at 31 March, 2000	2,000,000,000	200,000
— increase in authorised share capital	8,000,000,000	800,000
	<hr/>	<hr/>
— at 31 March, 2001	<u>10,000,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
— at 1 April, 1999	489,898,312	48,990
— rights issue of shares	489,898,312	48,990
— issue of shares on private placement	170,000,000	17,000
— exercise of warrants	126,520	12
— exercise of shares options	24,000,000	2,400
	<hr/>	<hr/>
— at 31 March, 2000	1,173,923,144	117,392
— issue of shares on private placement	229,900,000	22,990
— exercise of conversion rights of first convertible notes	122,682,000	12,268
— exercise of conversion rights of second convertible notes	150,600,000	15,060
— issue of shares for debt settlement	76,139,233	7,614
— exercise of warrants	4,157,140	416
— exercise of share options	10,811,042	1,081
	<hr/>	<hr/>
— at 31 March, 2001	<u>1,768,212,559</u>	<u>176,821</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March, 2001

20. SHARE CAPITAL *(continued)*

During the year ended 31 March, 2001, the following changes in the share capital of the Company took place:

- (a) Pursuant to an ordinary resolution passed in a special general meeting held on 20 April, 2000, the authorised share capital of the Company was increased from HK\$200,000,000 to HK\$1,000,000,000 by the creation of an additional 8,000,000,000 shares of HK\$0.10 each.
- (b) On 20 March, 2000, arrangements were made for a private placement to independent investors of 229,900,000 shares of HK\$0.10 each, at a price of HK\$0.138 per share, representing a discount of approximately 25.4% to the average of the closing prices of the Company's share of HK\$0.185 per share as quoted on the Stock Exchange for the last ten trading days up to 17 March, 2000. The Company used the net proceeds from subscription to repay the Group's borrowings and for general working capital purpose. On 25 April, 2000, the new shares were issued under the general mandate granted to the board of directors at the special general meeting of the Company held on 20 April, 2000.
- (c) On 11 October, 2000, a placing agreement was entered into between the Company and an independent placing agent, pursuant to which the placing agent placed the unsecured convertible notes of the Company in the aggregate principal amount of HK\$12,620,000 (the "First Convertible Notes"). The First Convertible Notes carries interest at a rate of 3% per annum, which is payable half-yearly. The outstanding principal amount of the First Convertible Notes may be converted into shares of HK\$0.10 each in the Company at an initial conversion price of HK\$0.103 per share, subject to adjustment, and are convertible at any time from 11 October, 2000 to 10 October, 2002, both dates inclusive. All the First Convertible Notes have been converted into shares of HK\$0.10 each in the Company at an adjusted conversion price of HK\$0.1027 per share, except for a principal amount of HK\$20,000 which has been redeemed by the Company prior to its conversion. The net proceeds from the placing of First Convertible Notes of HK\$12,400,000 were used as general working capital of the Group. The placing of the First Convertible Notes is within the general mandate given to the directors of the Company at the annual general meeting of the Company convened and held on 25 September, 2000.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March, 2001

20. SHARE CAPITAL *(continued)*

- (d) On 19 October, 2000, another placing agreement was entered into between the Company and an independent placing agent, pursuant to which the placing agent placed the unsecured convertible notes of the Company in the aggregate principal amount of HK\$15,060,000 (the "Second Convertible Notes"). The Second Convertible Notes carries interest at a rate of 3% per annum, which is payable half-yearly. The outstanding principal amount of the Second Convertible Notes may be converted into shares of HK\$0.10 each in the Company at an initial conversion price of HK\$0.10 per share, subject to adjustment, and are convertible at any time from 19 October, 2000 to 18 October, 2002, both dates inclusive. All the Second Convertible Notes have been converted into shares of HK\$0.10 each in the Company at the conversion price of HK\$0.10 per share. The net proceeds from the placing of the Second Convertible Notes of HK\$14,900,000 were used as general working capital of the Group. The placing of the Second Convertible Notes is within the general mandate given to the directors of the Company at the annual general meeting of the Company convened and held on 25 September, 2000.
- (e) On 5 January, 2001, Echo Hill Limited ("Echo Hill"), a wholly-owned subsidiary of the Company prior to 12 March, 2001 when the Company disposed of its entire equity interests in Echo Hill, entered into an agreement with Chang Yuan Shipping Enterprise (HK) Company Limited ("Chang Yuan"), a creditor of Echo Hill. Pursuant to the agreement, Echo Hill had agreed to procure the Company to issue 76,139,233 new shares of HK\$0.10 each at a price of HK\$0.12 per share for full settlement of a debt of HK\$9,136,708 owed by Echo Hill to Chang Yuan. The price of HK\$0.12 per share represents a premium of approximately 103% to the average closing prices of the Company's shares of HK\$0.059 per share as quoted on the Stock Exchange for the last ten trading days up to 5 January, 2001.
- (f) During the year ended 31 March, 2001, the warrant holders of the Company's 2001 Warrant of subscription rights of HK\$582,000 had exercised their rights, resulting in the issue of 4,157,140 shares of HK\$0.10 each in the Company at HK\$0.14 per share.
- (g) During the year ended 31 March, 2001, 1,811,042 and 9,000,000 share options were exercised at a subscription price of HK\$0.163 and HK\$0.107 per share respectively, resulting in an aggregate issue of 10,811,042 shares of HK\$0.10 each in the Company.

All the shares issued during the year ended 31 March, 2001 rank pari passu with the then existing shares in all respects.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March, 2001

21. WARRANTS

As part of the rights issue in November 1999, the Company granted bonus warrants (the “2001 Warrants”) conferring rights to subscribe up to a maximum of HK\$29,393,899 in cash for shares of HK\$0.10 each in the Company at an initial subscription price of HK\$0.15 per share, subject to adjustments, at any time from 8 December, 1999 to 30 November, 2001, both dates inclusive.

On 25 April, 2000, adjustments were made to the subscription price of the 2001 Warrants of the Company from HK\$0.15 per share to HK\$0.14 per share in accordance with the warrant instrument constituting the warrants dated 9 November, 1999 following the private placement as described in note 20(b).

During the year, the warrant holders of the Company’s 2001 Warrants of subscription rights of HK\$582,000 had exercised their rights, resulting in the issue of 4,157,140 shares of HK\$0.10 each in the Company at HK\$0.14 per share.

At 31 March, 2001, the Company had outstanding 2001 Warrants conferring rights to subscribe up to HK\$28,792,921 in cash for shares of HK\$0.10 each in the Company. Exercise in full of these outstanding 2001 Warrants would, under the present share capital structure of the Company as of 31 March, 2001, result in the issue of 205,663,721 additional shares of HK\$0.10 each in the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March, 2001

22. SHARE OPTION SCHEME

Pursuant to the Company's share option scheme adopted on 30 September, 1997, the board of directors of the Company may for a notional consideration offer to any executive directors or full-time employees or executives of the Company or any subsidiary of the Company, options to subscribe for shares in the Company at a price not less than 80% of the average of the closing prices of the Company's shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the options or the nominal value of the Company's shares, whichever is higher, subject to a maximum of 10% of the issued share capital of the Company from time to time (excluding the aggregate number of shares which have been duly allotted and issued pursuant to the scheme).

Details of the movements in the number of share options during the year under the Company's share option scheme were as follows:

Exercisable period	Exercise price HK\$	Number of share options					Outstanding at 31.3.2001
		Outstanding at 1.4.2000	Adjustment upon the private placement	Granted during the year	Exercised during the year	Lapsed during the year	
29 February, 2000 to 28 February, 2010	0.163*	88,700,000	3,265,030*	—	(1,811,042)	(60,801,228)	29,352,760
27 April, 2000 to 26 April, 2010	0.122	—	—	24,000,000	—	(10,000,000)	14,000,000
10 August, 2000 to 9 August, 2010	0.107	—	—	24,000,000	(9,000,000)	—	15,000,000
4 November, 2000 to 3 November, 2010	0.100	—	—	77,600,000	—	(52,400,000)	25,200,000

* During the year, adjustments were made to the number and exercise price of the outstanding share options in accordance with the rules of the share option scheme following the Company's private placement of shares as described in note 20(b).

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March, 2001

23. RESERVES

	Share premium HK\$'000	Asset revaluation reserve HK\$'000	Translation reserve HK\$'000	Goodwill HK\$'000	Special reserve HK\$'000	Retained profits (deficit) HK\$'000	Total HK\$'000
THE GROUP							
At 1 April, 1999	47,807	43,108	20	—	92,926	4,657	188,518
Premium arising on issue of shares	2,852	—	—	—	—	—	2,852
Expenses incurred in connection with the issue of shares	(1,386)	—	—	—	—	—	(1,386)
Surplus arising on revaluation	—	2,874	—	—	—	—	2,874
Realised on depreciation of property, plant and equipment	—	(2,057)	—	—	—	2,057	—
Realised on disposal of a subsidiary	—	(547)	95	—	—	547	95
Write-off of goodwill arising on acquisition of subsidiaries	—	—	—	(2,209)	—	—	(2,209)
Share of translation reserve of an associate	—	—	29	—	—	—	29
Net loss for the year	—	—	—	—	—	(77,004)	(77,004)
At 31 March, 2000	49,273	43,378	144	(2,209)	92,926	(69,743)	113,769
Premium arising on issue of shares	10,934	—	—	—	—	—	10,934
Expenses incurred in connection with the issue of shares	(972)	—	—	—	—	—	(972)
Deficit arising on revaluation	—	(28,352)	—	—	—	—	(28,352)
Realised on depreciation of property, plant and equipment	—	(1,009)	—	—	—	1,009	—
Provision for impairment in value of a vessel	—	(5,707)	—	—	—	—	(5,707)
Realised on disposal of subsidiaries	—	(3,469)	—	—	—	—	(3,469)
Write-off of goodwill arising on acquisition of a subsidiary	—	—	—	(489)	—	—	(489)
Realised on disposal of associates	—	—	(144)	—	—	—	(144)
Realised on disposal of property, plant and equipment	—	(1,469)	—	—	—	1,469	—
Net loss for the year	—	—	—	—	—	(109,590)	(109,590)
At 31 March, 2001	59,235	3,372	—	(2,698)	92,926	(176,855)	(24,020)
Attributable to the Company and subsidiaries at 31 March, 2001	59,235	3,372	—	(2,698)	92,926	(176,855)	(24,020)

The special reserve of the Group represents the excess of the nominal amount of the shares of the subsidiaries at the date of the group reorganisation over the nominal amount of the shares issued by the Company as consideration for the acquisition of the subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March, 2001

23. RESERVES (continued)

	Share premium HK\$'000	Contributed surplus HK\$'000	Deficit HK\$'000	Total HK\$'000
THE COMPANY				
At 1 April, 1999	47,807	180,030	(38,034)	189,803
Premium arising on issue of shares	2,852	—	—	2,852
Expenses incurred in connection with the issue of shares	(1,386)	—	—	(1,386)
Net loss for the year	—	—	(100,703)	(100,703)
At 31 March, 2000	49,273	180,030	(138,737)	90,566
Premium arising on issue of shares	10,934	—	—	10,934
Expenses incurred in connection with the issue of shares	(972)	—	—	(972)
Net loss for the year	—	—	(159,453)	(159,453)
At 31 March, 2001	59,235	180,030	(298,190)	(58,925)

The contributed surplus of the Company represents the excess of the consolidated net assets of the subsidiaries at the date on which they were acquired by the Company, over the nominal amount of the shares issued by the Company as consideration for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares on the Stock Exchange in 1997.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

- (i) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

The Company did not have any distributable reserve at 31 March, 2001.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March, 2001

24. RECONCILIATION OF LOSS BEFORE TAXATION TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Loss before taxation	(108,878)	(77,441)
Interest income	(504)	(1,392)
Interest expenses	5,868	6,765
Share of losses (profits) of associates	345	(163)
Depreciation and amortisation	33,560	37,591
Gain on disposal of property, plant and equipment other than vessels and containers	(2,446)	(381)
Gain on disposal of listed investments	(1,989)	—
Loss on disposal of vessels and containers	6,365	—
Provision for impairment in value of a vessel	2,400	—
Deficit arising on revaluation of tug boats, barges and vessels	5,788	—
Deficit arising on revaluation of investment properties	1,175	—
Deficit arising on revaluation of land and buildings	330	—
Loss (gain) on disposal of subsidiaries	5,873	(10,360)
Loss on disposal/dissolution of associates	1,337	—
Amounts due to associates waived for repayment on their disposal/dissolution	(112)	—
Provision for loan receivables	—	21,102
Provision for bad and doubtful debts	21,603	11,090
Decrease (increase) in trade and other receivables	6,226	(1,053)
Decrease in trade and other payables	(19,275)	(9,128)
(Decrease) increase in trade payables to associates	(841)	2,119
	<hr/>	<hr/>
Net cash outflow from operating activities	(43,175)	(21,251)
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March, 2001

25. PURCHASE OF SUBSIDIARIES

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Net (liabilities) assets acquired:		
Property, plant and equipment	—	121
Trade and other receivables	—	2,139
Bank balances and cash	1	2,851
Trade and other payables	(490)	(2,312)
	<hr/>	<hr/>
Net (liabilities) assets	(489)	2,799
Goodwill arising on acquisition	489	2,209
	<hr/>	<hr/>
	—	5,008
	<hr/> <hr/>	<hr/> <hr/>
Satisfied by:		
Cash consideration paid	—	(5,008)
	<hr/> <hr/>	<hr/> <hr/>
Analysis of net inflow (outflow) of cash and cash equivalents in connection with the purchase of subsidiaries:		
Cash consideration paid	—	(5,008)
Bank balances and cash acquired	1	2,851
	<hr/>	<hr/>
Net inflow (outflow) of cash and cash equivalents in connection with the acquisition of subsidiaries	1	(2,157)
	<hr/> <hr/>	<hr/> <hr/>

The subsidiaries acquired during the year did not have any significant impact on the Group's cash flows, turnover and operating results.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March, 2001

26. DISPOSAL OF SUBSIDIARIES

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Net assets (liabilities) disposed of:		
Property, plant and equipment	20,920	862
Trade and other receivables	13,672	5
Amounts due from associates	2,709	—
Taxation recoverable	136	—
Bank balances and cash	867	45
Trade and other payables	(23,806)	(1,461)
Trade payables to associates	(1,497)	—
Taxation payable	(799)	(906)
Borrowings	(2,102)	—
Deferred taxation	(753)	—
	<hr/>	<hr/>
Net assets (liabilities)	9,347	(1,455)
Asset revaluation reserve realised on disposal	(3,469)	—
Translation reserve realised on disposal	—	95
(Loss) gain on disposal of subsidiaries	(5,873)	10,360
	<hr/>	<hr/>
	5	9,000
	<hr/>	<hr/>
Satisfied by:		
Cash consideration received	5	7,000
Balance of consideration receivable on disposal of subsidiaries	—	2,000
	<hr/>	<hr/>
Total consideration	5	9,000
	<hr/>	<hr/>
Analysis of net (outflow) inflow of cash and cash equivalents in connection with the disposal of subsidiaries		
Cash consideration received	5	7,000
Bank balances and cash disposed of	(867)	(45)
	<hr/>	<hr/>
Net (outflow) inflow of cash and cash equivalents in connection with the disposal of subsidiaries	(862)	6,955
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NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March, 2001

26. DISPOSAL OF SUBSIDIARIES *(continued)*

The subsidiaries disposed of during the year ended 31 March, 2001 contributed HK\$4,841,000 to the Group's net operating cash inflows, paid HK\$927,000 in respect of net returns on investment and servicing of finance, paid HK\$707,000 in respect of taxation, raised HK\$11,213,000 for investing activities and utilised HK\$7,631,000 in respect of financing activities.

The subsidiaries disposed of during the year ended 31 March, 2001 contributed HK\$94,963,000 to the Group's turnover and HK\$15,551,000 to the Group's loss from operations.

The subsidiary disposed of during the year ended 31 March, 2000 did not have any significant impact on the Group's cash flows, turnover and operating.

27. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Obligations under finance leases <i>HK\$'000</i>	Bank loans <i>HK\$'000</i>	Other loans <i>HK\$'000</i>
At 1 April, 1999	48,990	47,807	42,746	11,923	3,120
Proceeds from issue of shares	68,402	2,852	—	—	—
Expenses incurred in connection with the issue of shares	—	(1,386)	—	—	—
Borrowings raised	—	—	—	5,304	35,497
Repayment of borrowings	—	—	(21,883)	(12,904)	(3,120)
At 31 March, 2000	117,392	49,273	20,863	4,323	35,497
Proceeds from issue of shares	51,815	9,411	—	—	—
Expenses incurred in connection with the issue of shares	—	(972)	—	—	—
Issue of shares for settlement of a trade debt with Chang Yuan	7,614	1,523	—	—	—
Borrowings raised	—	—	—	—	19,500
Repayment of borrowings	—	—	(11,270)	(4,323)	(30,788)
Eliminated on disposal of subsidiaries	—	—	(2,102)	—	—
At 31 March, 2001	<u>176,821</u>	<u>59,235</u>	<u>7,491</u>	<u>—</u>	<u>24,209</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March, 2001

28. MAJOR NON-CASH TRANSACTION

During the year, the agreement for the purchase of the entire issued share capital of and loan to Deluxe Global Limited (“Deluxe Global”) from an independent third party had been completed. Deluxe Global is an investment holding company where its sole assets were associates engaged in the manufacture of motorcycles in the PRC. The deposit of HK\$34,800,000 made last year on acquisition of Deluxe Global was accordingly reclassified as advance to an associate at 31 March, 2001.

29. OPERATING LEASE COMMITMENTS

While the Company had no outstanding operating lease commitments at the balance sheet date, certain of its subsidiaries were committed to make the following payments for land and buildings in the next year under non-cancellable operating leases which expire:

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Within one year	165	3,509
In the second to fifth year inclusive	1,674	5,283
	<u>1,839</u>	<u>8,792</u>

The Group has no significant operating lease commitments in respect of vessels and containers.

30. CONTINGENT LIABILITIES

At the balance sheet date, the Company has given corporate guarantees to the extent of HK\$35,359,000 (2000: HK\$68,442,000) in respect of credit facilities extended to subsidiaries. The extent of such facilities utilised by the subsidiaries at 31 March, 2001 amounted to approximately HK\$20,445,000 (2000: HK\$38,716,000).

31. RETIREMENT BENEFITS SCHEME

The Company operates defined contribution retirement benefits schemes under the Occupational Retirement Scheme Ordinance (the “ORSO Schemes”) for all qualified employees. The assets of the ORSO Schemes are held separately in funds under the control of independent trustees. The retirement benefits scheme contributions charged to the income statement represents contributions payable to the ORSO Schemes by the Company at rates specified in the rules of the ORSO Schemes. Where there are employees who leave the ORSO Schemes prior to becoming fully vested in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March, 2001

31. RETIREMENT BENEFITS SCHEME *(continued)*

In light of the introduction of Mandatory Provident Fund (the “MPF”) in Hong Kong, all qualifying employees of the Group were granted an one-off option to elect staying with the ORSO Schemes or switching to the MPF schemes. The Group has arranged for relevant employees to join the MPF schemes since December 2000. The Group and each of the employees make monthly mandatory contributions to the MPF schemes.

At the balance sheet date, there was no significant forfeited contribution, which arose upon employees leaving the retirement benefits scheme, available to reduce the contributions payable in the future years.

32. RELATED PARTY TRANSACTIONS AND BALANCES

During the year, the Group had the following significant transactions with related companies:

Name of related company	Nature of transactions	THE GROUP	
		2001 HK\$'000	2000 HK\$'000
<i>Company controlled by a former director, Mr. Chow Wing Kee:</i>			
Win Cosmos Development Limited	Property rentals paid for land and buildings <i>(note i)</i>	679	1,521
<i>Associates:</i>			
Hung Tai Transportation Development Limited	Freight charges paid <i>(note ii)</i>	2,297	1,180
Hung Lei Shipping Limited	Container and vessel rentals received <i>(note ii)</i>	1,085	—
Vincent Shipping Agency Limited	Agency fees paid <i>(note ii)</i>	—	1,124

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March, 2001

32. RELATED PARTY TRANSACTIONS AND BALANCES *(continued)*

Notes:

- (i) The property rentals were paid in accordance with a tenancy agreement and the prevailing rent approximate to the open market rentals estimated by the directors at the time when the tenancy agreement was contracted with reference to a valuation made by Lawson David & Sung Surveyors Limited, an independent valuer. The tenancy agreement was terminated during the year.
- (ii) These transactions were carried out with reference to market price.

At the balance sheet date, a former director of the Company, Mr. Chow Wing Kee, has given personal guarantees to the extent of HK\$31,000,000 (2000: HK\$41,365,600) in respect of credit facilities granted to certain of the Company's subsidiaries.

Details of the balances with related parties at the balance sheet date are set out in the balance sheets and note 15.

33. POST BALANCE SHEET EVENTS

The following events have occurred subsequent to 31 March, 2001:

- (a) The Group borrowed a loan of HK\$5,000,000 from an independent third party for its working capital purpose. The loan is unsecured, carries interest at the Hong Kong prime rate, as announced by The Hongkong and Shanghai Banking Corporation Limited, plus 3% per annum and wholly repayable together with accrued interest on 25 August, 2002.
- (b) The Group obtained credit facilities from a bank to the extent of HK\$4,000,000. The credit facilities were secured by assets owned by Honest Horse Limited ("Honest Horse"). Honest Horse is a company in which a substantial shareholder of the Company, Mr. Yeung Ka On, has a beneficial interest.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March, 2001

34. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries, all of which are indirectly wholly-owned by the Company, at 31 March, 2001 are as follows:

Name of subsidiaries	Place of incorporation	Nominal value of issued capital	Principal activities
CWK Shipping Inc.	Belize	US\$1,000	Shipowner
Deluxe Global Limited	British Virgin Islands	US\$50,000	Investment holding
Double Diamond International Limited	British Virgin Islands	US\$1	Property holding in Macau
Fossil Investments Inc.	Belize	US\$1,000	Shipowner
Giant Empire Limited	Hong Kong	HK\$2,000,000	Operation of a restaurant
Marsh Services Corp.	Belize	US\$1,000	Shipowner
Master Sino Shipping Limited	Hong Kong	HK\$10,000	Shipowner
Oriental Tours & Travel Co. Limited	Hong Kong	HK\$4,000,000	Sales of airline tickets and provision of travel-related services
Union Bright International Holding Limited	Hong Kong	HK\$10,000	Shipowner
Unionwin International Holding Limited	Hong Kong	HK\$10,000	Shipowner
Vincent Shipping Lda.	Portugal	PTE400,000	Shipowner
Wing Well Marine Service S.A.	Republic of Panama	US\$10,000	Vessel charter hire and leasing of containers

The principal activities are carried out in Hong Kong except as otherwise stated under principal activities above.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.