

For the year ended 31 March 2001

1. General

The Company is a listed public limited company incorporated in Bermuda.

The Company is an investment holding company. Its subsidiaries are principally engaged in the business of vessel operating common carrier, provision of sea and air freight forwarding services, securities trading, operation of container depots and provision of logistics management services. The Group was also previously engaged in the business of steam coal trading (see note 11) which was discontinued during the year.

Its associates are principally engaged in the business of development and manufacture of education softwares and provision of sea freight forwarding services.

2. Significant Accounting Policies

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities, 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 and disposed of during the year are included in the consolidated income statement from and up to their effective dates of acquisition and disposal respectively.

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

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 or an associate and is written off against the accumulated profits (losses) immediately on acquisition. Negative goodwill, which 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 or an associate is credited to reserves.

On disposal of a subsidiary or an associate, the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal of the subsidiary or associate.

For the year ended 31 March 2001

2. Significant Accounting Policies (Continued)

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Revenue from the rendering of freight and vessel operating common carrier services, depot container services and logistics management services is recognised when the risk of transaction is substantially transferred, which generally coincides with the date of departure for outward freight and the date of arrival for inward freight, the date of service rendered for vessel operating common carrier services and depot container services and logistics management services.

Sales of investment in securities are recognised when the sales contracts become unconditional.

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

Dividend income from investments is recognised when the shareholders' right to receive payment has been established.

Rental income, including rental invoiced in advance from properties under operating leases, is recognised on a straight line basis over the terms of the leases.

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost or valuation less depreciation and amortisation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the assets have 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 on disposal or retirement of an asset is determined as the difference between the sale 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.

Any surplus arising on revaluation of leasehold properties is credited to the other property revaluation reserve, and any decrease in net carrying amount arising on revaluation of an asset is charged to the income statement to the extent that it exceeds the surplus, if any, held in the other property revaluation reserve relating to previous revaluation of that particular asset. On the subsequent sale of assets, the attributable revaluation surplus is transferred to accumulated profits (losses).

For the year ended 31 March 2001

2. Significant Accounting Policies (Continued)

Property, plant and equipment (Continued)

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

Leasehold land	Over the remaining unexpired terms of leases
Buildings	2% — 2.5%
Leasehold improvements	10% — 50% or over the remaining unexpired terms of the leases whichever is shorter
Furniture, fixtures and equipment	12½% — 20%
Motor vehicles	16⅔% — 20%
Tractors, trailers and chassis	8⅓%
Plant and machinery	6⅔% — 20%

Construction in progress is stated at cost and will not be depreciated until it is put into use.

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 included in the Company's balance sheet at carrying value, as reduced by any impairment losses recognised.

Prepaid rentals

Prepayments of rentals for the use of vessels are deferred and amortised on a straight line basis over the operating period as specified in the rental agreements commencing on their respective dates of delivery by the vessel owners to the Group.

Investments in associates

An associate is an enterprise in which the Group is in a position to exercise significant influence in management, including participation in commercial and financial policy decisions.

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interest in associates is stated at the Group's share of the net assets of the associates.

For the year ended 31 March 2001

2. Significant Accounting Policies (Continued)

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost. At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. Any discount or premium on the acquisition of a held-to-maturity debt security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment losses recognised.

Other investments are measured at fair value, with unrealised gains and losses included in the profit or loss for the year.

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.

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the lease terms.

Foreign currencies

Transactions in foreign currencies are translated at the approximate rates ruling on the dates of the transactions. 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 exchange are dealt with in the income statement.

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

For the year ended 31 March 2001

3. Turnover, Segmental Information and Cost of Sales

Turnover represents the net amounts received and receivable for goods supplied to outside customers, freight forwarding and vessel operating common carrier services, the sale of investments in securities, depot container services and logistics management services rendered by the Group during the year and is analysed as follows:

The Group's turnover and contribution to (loss) profit from operations for the year, analysed by principal activity and geographical area are as follows:

	Turnover		Contribution to (loss) profit from operations	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
By activity:				
Continued operations:				
Freight forwarding and vessel operating common carrier services	80,228	73,382	(4,307)	(14,167)
Securities trading	13,059	29,568	(3,327)	(350)
Operation of container depots and logistics management services	21,638	14,005	(703)	(161)
	<u>114,925</u>	<u>116,955</u>	<u>(8,337)</u>	<u>(14,678)</u>
Discontinued operation:				
Steam coal trading	22,425	68,148	(745)	570
	<u>137,350</u>	<u>185,103</u>	<u>(9,082)</u>	<u>(14,108)</u>
Interest income			3,566	1,462
Group overheads			(45,676)	(32,266)
Corporate finance overheads			(9,269)	(22,286)
Loss from operations			<u>(60,461)</u>	<u>(67,198)</u>
By geographical area:				
Hong Kong	90,352	101,821	(3,535)	(14,505)
Korea	13,690	57,866	(455)	484
Mainland China	31,451	15,134	(5,030)	(173)
Others	1,857	10,282	(62)	86
	<u>137,350</u>	<u>185,103</u>	<u>(9,082)</u>	<u>(14,108)</u>
Interest income			3,566	1,462
Group overheads			(45,676)	(32,266)
Corporate finance overheads			(9,269)	(22,286)
Loss from operations			<u>(60,461)</u>	<u>(67,198)</u>

For the year ended 31 March 2001

3. Turnover, Segmental Information and Cost of Sales (Continued)

An analysis of cost of sales is as follows:

	2001 HK\$'000	2000 HK\$'000
Securities trading	11,724	24,824
Steam coal trading (discontinued operation)	22,381	66,559
	<u>34,105</u>	<u>91,383</u>

4. Other Revenue

	2001 HK\$'000	2000 HK\$'000
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Other revenue includes the following:

Waiver of a creditor balance	—	3,775
Interest income	3,566	1,462
Dividend income from investment securities	—	260
Dividend income from other investments	79	24
	<u>79</u>	<u>24</u>

5. Other Expenses

	2001 HK\$'000	2000 HK\$'000
Other expenses comprise:		
Provision for bad and doubtful debts	4,942	4,387
Unrealised holding loss of other investments	4,641	5,073
Loss on write-off of property, plant and equipment	4,259	—
Prepaid rentals written off (Note)	1,468	4,854
Loss on disposal/write-off of investment securities	—	286
	<u>15,310</u>	<u>14,600</u>

Note: The unamortised prepaid rentals in respect of a vessel were written off during the year as the vessel was seized and sold by the court. The unamortised prepaid rentals in respect of three vessels were written off in the previous year as a result of early termination of the rental agreement in that year.

For the year ended 31 March 2001

6. Loss from Operations

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Loss from operations has been arrived at after charging:		
Amortisation of prepaid rentals	1,579	2,055
Auditors' remuneration		
— current year	1,355	1,298
— underprovision in prior year	158	—
Depreciation and amortisation on assets owned by the Group	12,145	14,812
Loss on disposal of property, plant and equipment	22	835
Rentals payable under operating leases in respect of		
— rented premises	2,845	4,687
— other assets	364	1,090
Staff costs including directors' emoluments (<i>Note</i>)	<u>26,135</u>	<u>30,429</u>

Note: The staff costs for the year included the retirement benefits scheme contributions payable of HK\$635,000 (2000: deduction of contribution recoverable of HK\$149,000), net of forfeited contributions of HK\$109,000 (2000: HK\$644,000).

7. Directors' and Employees' Emoluments

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Directors' emoluments		
Fees:		
Executive directors	—	—
Independent non-executive directors	—	—
	—	—
Other emoluments to executive directors:		
Salaries and other benefits	7,792	10,203
Performance related incentive payments	631	835
Retirement benefits scheme contributions	84	90
	<u>8,507</u>	<u>11,128</u>
Other emoluments to independent non-executive directors:		
Other benefits	—	—
	<u>8,507</u>	<u>11,128</u>

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7. Directors' and Employees' Emoluments (Continued)

During the year ended 31 March 2000, the directors of the Company also obtained benefits from the exercise of share options granted under the share option scheme. Based on the number of share options exercised by directors and the difference between the market value of shares of the Company at the date of exercise of the share options and the exercise price of the share options being exercised, the option benefits to the directors were approximately HK\$38,625,400.

Emoluments of the directors (excluding the benefits from share options exercised) were within the following bands:

	Number of director(s)	
	2001	2000
Nil — HK\$1,000,000	3	3
HK\$1,000,001 — HK\$1,500,000	3	—
HK\$2,000,001 — HK\$2,500,000	—	2
HK\$2,500,001 — HK\$3,000,000	—	1
HK\$3,000,001 — HK\$3,500,000	—	1
HK\$4,000,001 — HK\$4,500,000	1	—
	<u>7</u>	<u>7</u>

Employees' emoluments

The five highest paid individuals in the Group in the current year include four directors of the Company and details of their emoluments are included above. For the year ended 31 March 2000, the five highest paid individuals in the Group are all directors of the Company. The emoluments of the remaining highest paid employee in the current year was as follows:

	HK\$'000
Salaries and other benefits	862
Performance related incentive payments	65
Retirement benefits scheme contributions	18
	<u>945</u>

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8. Finance Costs

	2001 HK\$'000	2000 HK\$'000
Interest on bank and other borrowings wholly repayable within five years	<u>331</u>	<u>2,446</u>

9. Impairment Losses Recognised in Relation to an Associate

	2001 HK\$'000	2000 HK\$'000
Impairment loss recognised in relation to the goodwill arising on acquisition of an associate	55,040	—
Provision for impairment in value of interest in associate (note 19)	<u>11,817</u>	—
	<u>66,857</u>	—

10. Gain Arising in Relation to Undertakings by a Former Shareholder

	2001 HK\$'000	2000 HK\$'000
Gain from the application of deposits together with accrued interest from Central China Enterprises Limited ("Central China"), the holding company of a former shareholder of the Company, to set off certain outstanding banking facilities utilised by the Group (Note a)	—	60,416
Waiver of advances from Central China (Note b)	—	<u>47,478</u>
	<u>—</u>	<u>107,894</u>

For the year ended 31 March 2001

10. Gain Arising in Relation to Undertakings by a Former Shareholder (Continued)

Notes:

- (a) On 31 May 1999, Central China, Sincere Bonus Investment Ltd. ("Sincere Bonus"), a company wholly-owned by Hon Ming Kong ("Mr. Hon"), and Mr. Hon entered into a deed which was made supplemental to a deed of undertakings dated 22 January 1999 between Central China, Sincere Bonus and Mr. Hon. Pursuant to this, Central China agreed to give irrevocable instructions to various banks of the Group to apply three deposits placed by Central China with such banks in the total sum of HK\$60 million together with interest accrued thereon to set off certain amounts of outstanding facilities due from the Group to such banks on 31 May 1999 ("Set Off"). As a result, the Set Off was executed on 31 May 1999 and the amount involved was approximately HK\$60,416,000. Central China also executed a deed on 31 May 1999 which was made supplemental to a deed of waiver dated 30 January 1999, pursuant to which Central China waived all rights and claims against the Group in respect of the Set Off from the date of the supplemental deed of waiver.
- (b) Pursuant to the deed of undertakings dated 22 January 1999, Central China undertook and agreed to waive all rights and claims against the Group in respect of:
 - (a) all interest on the outstanding advances from 1 January 1999; and
 - (b) all money due under the advances which remained outstanding as at 1 September 1999.

Sincere Bonus also undertook that it would use its best endeavours for procure the Group to repay to Central China the advances or such part thereof on or before 31 August 1999 in the event that the results of the Group for the year ended 31 March 1999 exceeded a net profit of HK\$50 million.

In view of the 1999 results of the Group did not exceed a net profit of HK\$50 million, the outstanding advances as at 1 September 1999 amounting to approximately HK\$47,478,000 were waived by Central China accordingly.

11. Discontinued Operations

In March 2001, the Group disposed of its steam coal trading operations as part of the future business re-arrangements of the Group. A profit of approximately HK\$0.3 million arose on the disposal of the relevant subsidiary.

The turnover and loss from operations in respect of the steam coal trading operations, accounted for up to the date of discontinuance, were set out in note 3.

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12. Taxation Credit

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group did not have any assessable profit for the year. The tax credit in 2000 represented the overprovision of Hong Kong Profits Tax in prior years.

Details of the unprovided deferred taxation are set out in note 30.

13. Net (Loss) Profit for the Year

Of the consolidated loss of HK\$130,321,000 (2000: a profit of HK\$35,207,000), a loss of HK\$93,800,000 (2000: HK\$38,375,000) has been dealt with in the financial statements of the Company.

14. (Loss) Earnings per Share

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

	2001 HK\$'000	2000 HK\$'000
Earnings:		
Net (loss) profit for the year and (loss) earnings for the purpose of basic (loss) earnings and diluted earnings per share	<u>(130,321)</u>	<u>35,207</u>
Number of shares:		
Weighted average number of shares for the purpose of basic (loss) earnings per share	<u>1,165,314,000</u>	<u>930,414,000</u>
Effect of dilutive potential shares:		
Share options		31,837,000
Warrants		<u>10,225,000</u>
		<u>972,476,000</u>

Diluted loss per share has not been presented for 2001 as the exercise of the Company's outstanding share options and warrants would result in a decrease in the loss per share for the year.

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15. Property, Plant and Equipment

	Leasehold properties HK\$'000	Construction in progress HK\$'000	Leasehold improvements, furniture, fixtures and equipment HK\$'000	Motor vehicles, tractors, trailers and chassis HK\$'000	Plant and machinery HK\$'000	Total HK\$'000
THE GROUP						
COST OR VALUATION						
At 1 April 2000	65,000	442	39,149	13,443	17,381	135,415
Currency realignment	(776)	(9)	(47)	(228)	(361)	(1,421)
Additions	—	488	1,258	2,129	449	4,324
Reclassifications	921	(921)	—	—	—	—
Write-off	—	—	(27,568)	—	—	(27,568)
Disposals	—	—	(123)	(414)	(93)	(630)
Disposal of subsidiaries	—	—	(1,772)	(160)	—	(1,932)
Surplus arising on revaluation	1,155	—	—	—	—	1,155
At 31 March 2001	66,300	—	10,897	14,770	17,376	109,343
Comprising:						
At cost	—	—	10,897	14,770	17,376	43,043
At valuation — 2001	66,300	—	—	—	—	66,300
	66,300	—	10,897	14,770	17,376	109,343
DEPRECIATION AND AMORTISATION						
At 1 April 2000	—	—	23,395	5,066	4,720	33,181
Currency realignment	(74)	—	(19)	(92)	(96)	(281)
Provided for the year	1,444	—	8,076	1,549	1,076	12,145
Eliminated on write-off	—	—	(23,309)	—	—	(23,309)
Eliminated on disposals	—	—	(28)	(138)	(55)	(221)
Eliminated on disposal of subsidiaries	—	—	(1,276)	(133)	—	(1,409)
Eliminated on revaluation	(1,370)	—	—	—	—	(1,370)
At 31 March 2001	—	—	6,839	6,252	5,645	18,736
NET BOOK VALUES						
At 31 March 2001	66,300	—	4,058	8,518	11,731	90,607
At 31 March 2000	65,000	442	15,754	8,377	12,661	102,234

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15. Property, Plant and Equipment (Continued)

	Furniture, fixtures and equipment <i>HK\$'000</i>
THE COMPANY	
COST	
At 1 April 2000	14,948
Write-off	<u>(14,718)</u>
At 31 March 2001	<u>230</u>
DEPRECIATION	
At 1 April 2000	8,487
Provided for the year	2,989
Eliminated on write-off	<u>(11,347)</u>
At 31 March 2001	<u>129</u>
NET BOOK VALUES	
At 31 March 2001	<u>101</u>
At 31 March 2000	<u>6,461</u>

The Group's leasehold properties were held outside Hong Kong under medium term leases.

The valuation of leasehold properties as at 31 March 2001 was carried out by B. I. Appraisals Limited, an independent professional property valuer, on an open market value basis.

Had the leasehold properties been carried at cost less accumulated depreciation and amortisation, the net book value of the leasehold properties at 31 March 2001 would have been stated at approximately HK\$31,820,000 (2000: HK\$32,233,000).

16. Interest in Subsidiaries

	THE COMPANY	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Unlisted shares	129,498	129,498
Amounts due from subsidiaries	<u>508,552</u>	<u>470,760</u>
	638,050	600,258
Less: Impairment losses recognised	<u>(519,800)</u>	<u>(455,800)</u>
	<u>118,250</u>	<u>144,458</u>

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16. Interest in Subsidiaries (Continued)

The carrying value of the unlisted shares is based on the book value of the underlying net assets of Oriental Union Strategies Limited and its subsidiaries as at the date on which the Company became the holding company of the Group under the group reorganisation on 31 August 1994.

Details of principal subsidiaries at 31 March 2001 are set out in note 42.

17. Deposits Paid for Potential Investments

	THE GROUP AND THE COMPANY	
	2001	2000
	HK\$'000	HK\$'000
Deposits paid for potential investments	48,140	59,373
Less: Deposit to be applied as partial consideration in respect of conditional agreements entered into subsequent to the balance sheet date, and shown as non-current assets, for the acquisition of:		
— a long distance professional educational services company (note 41)	(10,140)	—
— a telecommunications network company (Note below)	—	(20,000)
	38,000	39,373
Deposits shown as current assets	38,000	39,373

Note: On 16 June 2000, the Company entered into a conditional agreement ("Agreement") with One Network Investments Limited ("One Network"), a company incorporated in the British Virgin Islands with limited liability, 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 fax and voice virtual private network and broad-band satellite network globally with a particular focus on the People's Republic of China ("PRC"). The consideration would be settled as to HK\$20 million to set off against the deposit previously paid and as to HK\$288 million by the issue and allotment of 320,000,000 consideration shares upon completion.

On 10 January 2001, the Company and One Network mutually agreed in writing to terminate the Agreement. Pursuant to the terms of the Agreement, the Company served a written notice to One Network and Telhope for the repayment of the HK\$20 million deposit.

On 19 February 2001, the Company issued a writ of summons under High Court Action No. 798 of 2001 against One Network ("1st Defendant"), Lau Sum Angela ("2nd Defendant"), Teleinfo Co. Limited ("3rd Defendant") and Li Luogen ("4th Defendant") to claim the sum of HK\$20,000,000, being deposits paid for the acquisition of the entire issued share capital of Telhope together with interest and costs. On 7 May 2001, the 2nd, 3rd and 4th Defendants filed and served a Defence and Counterclaim. On 4 June 2001, the Company filed and served a Reply and Defence to Counterclaim. On 10 July 2001, the 1st Defendant filed and served a Defence.

The Group strongly disputes the above claim and has taken necessary action to recover the outstanding deposit.

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18. Prepaid Rentals

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
COST		
At beginning of the year	17,589	27,067
Additions	—	4,800
Write-off	(4,421)	(14,278)
At end of the year	<u>13,168</u>	<u>17,589</u>
AMORTISATION		
At beginning of the year	8,250	15,619
Provided for the year	1,579	2,055
Eliminated on write-off	(2,953)	(9,424)
At end of the year	<u>6,876</u>	<u>8,250</u>
NET BOOK VALUE		
At end of the year	<u>6,292</u>	<u>9,339</u>

Prepaid rentals represent prepayments of rentals to an independent party in the PRC for several vessels which are being operated by the Group within certain approved shipping routes in the PRC for a total period of seven to eight years under the respective terms of the rental agreements.

19. Interest In Associates

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Share of net assets	3,924	5,139	—	—
Amount due from an associate	<u>11,817</u>	<u>888</u>	<u>3,740</u>	<u>888</u>
	15,741	6,027	3,740	888
Less: Impairment loss recognised	<u>(11,817)</u>	<u>—</u>	<u>(3,740)</u>	<u>—</u>
	<u>3,924</u>	<u>6,027</u>	<u>—</u>	<u>888</u>

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19. Interest In Associates (Continued)

Details of the associates held by the Group at 31 March 2001 are as follows:

Name of company	Place of registration	Attributable interest held by the Group	Principal activity
北京維美科技開發有限公司("維美科技")	PRC	50%	Development and manufacture of education softwares
肇慶永進貨運有限公司 Zhaoqing Wing Jin Transportation Co., Ltd. ("ZWJT")	PRC	50%	Provision of sea freight forwarding services

20. Loan Receivable**THE GROUP**

The loan is advanced to the joint venture partner of the Group's associate, ZWJT, bears interest at 10% per annum and has no fixed repayment term. The loan is secured by a pledge of the 50% equity interest in ZWJT owned by the joint venture partner. In the opinion of the directors, the Group will not demand repayment of the advance and interest payment in the near future. Accordingly, the balance is shown as a non-current asset.

21. Debtors, Deposits and Prepayments

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

At 31 March 2001, the balance of debtors, deposits and prepayments included trade debtors of HK\$8,898,000 (2000: HK\$19,580,000). The aged analysis of trade debtors at the reporting dates are as follows:

	2001 HK\$'000	2000 HK\$'000
0 — 60 days	7,614	9,071
61 — 90 days	765	760
91 — 180 days	323	2,459
181 — 365 days	118	146
Over 1 year	78	7,144
	<u>8,898</u>	<u>19,580</u>

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22. Investments In Securities

Other investments	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Equity securities listed in Hong Kong	<u>19,278</u>	<u>14,966</u>
Market value	<u>19,278</u>	<u>14,966</u>

23. Amount Due From a Related Party

THE GROUP

The amount in 2000 represented the receivable from a joint venture partner of 維美科技 (note 19) in respect of the warranty and undertaking of compensation upon completion of the acquisition of a 50% equity interest in 維美科技 by the Group.

24. Creditors and Accrued Charges

At 31 March 2001, the balance of creditors and accrued charges included trade creditors of HK\$4,872,000 (2000: HK\$19,658,000). The aged analysis of the trade creditors at the reporting dates is as follows:

	2001 HK\$'000	2000 HK\$'000
0 — 60 days	4,016	12,558
61 — 90 days	—	80
91 — 180 days	352	825
181 — 365 days	46	930
Over 1 year	<u>458</u>	<u>5,265</u>
	<u>4,872</u>	<u>19,658</u>

25. Loan From a Director

THE GROUP AND THE COMPANY

The loan was advanced by Mr. Hon and was unsecured, interest free and was fully repaid during the year.

For the year ended 31 March 2001

26. Share Capital

	Number of shares	Issued and full paid share capital HK\$'000
Share of HK\$0.10 each:		
Balance at 1 April 1999	684,191,078	68,419
Issue of shares:		
— by placements	350,038,000	35,004
— upon exercise of share options under a share option scheme	53,354,000	5,335
— upon exercise of share options granted to certain placees	14,000,000	1,400
— upon exercise of warrants	4,200,000	420
— as consideration shares for acquisition of a 50% interest in 維美科技 (note 19)	54,220,237	5,422
	<hr/>	<hr/>
Balance at 31 March 2000 and 1 April 2000	1,160,003,315	116,000
Issue of shares:		
— upon exercise of share options under a share option scheme	1,331,000	133
— upon exercise of share options granted to certain placees	10,000,000	1,000
Repurchase of own shares	(8,990,000)	(899)
	<hr/>	<hr/>
Balance at 31 March 2001	<u>1,162,344,315</u>	<u>116,234</u>

On 28 January 2000, the authorised share capital of the Company was increased from HK\$160,000,000 to HK\$300,000,000 by the creation of an additional 1,400,000,000 new shares of HK\$0.10 each, such new shares rank pari passu in all respects with the existing issued and unissued shares of HK\$0.10 each in the capital of the Company.

For the year ended 31 March 2001

26. Share Capital (Continued)

The details of the changes in issued share capital of the Company for both years were as follows:

- (a) On 16 April 1999, Sincere Bonus placed 136,838,000 shares of the Company at a price of HK\$0.126 per share. The placing price represented a discount of approximately 14.3% to the closing price of HK\$0.147 per share as quoted on The Stock Exchange of Hong Kong Limited ("HKSE") on 16 April 1999. The placement was made to more than six independent private individuals and institutional investors.

On the same date, Sincere Bonus agreed to subscribe for 136,838,000 shares issued by the Company at the price of HK\$0.126 per share. The shares to be subscribed amounted to approximately 20% of the then existing share capital and approximately 16.7% of the enlarged issued share capital of the Company.

The net proceeds of the subscription of approximately HK\$16.7 million were used as general working capital.

- (b) On 10 June 1999, Sincere Bonus placed 65,000,000 shares of the Company at a price of HK\$0.396 per share. The placing price represented a discount of approximately 12.97% to the closing price of HK\$0.455 per share as quoted on HKSE on 10 June 1999. The placement was made to more than six independent private individuals and institutional investors.

On the same date, Sincere Bonus agreed to subscribe for 65,000,000 shares issued by the Company at the price of HK\$0.396 per share. The shares to be subscribed amounted to 7.91% of the then existing share capital and 7.33% of the enlarged issued share capital of the Company.

The net proceeds of the subscription of approximately HK\$25 million were used as general working capital and for the expansion of the Group's business and the making of future investments if opportunity arose.

- (c) On 16 October 1999, Sincere Bonus placed 52,200,000 shares of the Company at a price of HK\$1.55 per share. The placing price represented a discount of approximately 6.06% to the closing price of HK\$1.65 per share as quoted on HKSE on 13 October 1999. The placement was made to independent investors.

On the same date, Sincere Bonus agreed to subscribe for 52,200,000 shares issued by the Company at the price of HK\$1.55 per share. The shares to be subscribed amounted to 5.77% of the then existing share capital and 5.46% of the enlarged issued share capital of the Company.

The net proceeds of the subscription of approximately HK\$78 million were used as to around HK\$70 million for certain potential investment projects. The remaining balance of the net proceeds were used as general working capital and for the expansion of the Group's business and the making of investments in the projects which were under ongoing discussion and other future investments if opportunity arose.

For the year ended 31 March 2001

26. Share Capital (Continued)

- (d) On 30 December 1999, the Company conditionally placed 96,000,000 shares of the Company at a price of HK\$0.738 per share. At completion of the placement, the Company also granted share options to the places of the placing shares to subscribe for the option shares at the exercise price of HK\$0.738 per option share on the basis of one option share for every placing share subscribed. The placing price represented a discount of approximately 18.9% to the closing price of HK\$0.91 per share as quoted on HKSE on 24 December 1999. The placement was made to more than six independent private individuals and institutional investors.

The placing shares to be subscribed amounted to approximately 9.99% of the then existing share capital and approximately 9.08% of the enlarged issued share capital of the Company without taking into account the issue of the option shares if the share options were exercised.

The net proceeds of the placement of approximately HK\$69 million were used as general working capital and for the expansion of the Group's business and funding future investments.

- (e) On 6 September 1999, the Company entered into a conditional agreement in respect of the acquisition of a 50% interest in the issued capital of 維美科技 (note 19). The acquisition was completed on 23 March 2000 and the consideration of approximately HK\$58,015,000 was settled by way of the issue and allotment of 54,220,237 shares of the Company at HK\$1.07 per consideration share, representing approximately 4.90% of the then existing share capital and approximately 4.67% of the enlarged issued share capital of the Company.

The issue price of HK\$1.07 per consideration share represented a discount of approximately 13.0% to the closing price of the shares of HK\$1.23 on 6 September 1999, being the date of the agreement.

- (f) During the year, the Company repurchased its own shares on HKSE as follows:

Month	Number of shares	Price per share		Aggregate consideration HK\$'000
		Lowest HK\$	Highest HK\$	
October 2000	4,530,000	0.340	0.440	1,811
November 2000	4,460,000	0.425	0.490	2,098
	<u>8,990,000</u>			<u>3,909</u>

The above shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium on repurchase was charged against the share premium account.

All shares issued rank pari passu with the then existing shares in issue in all respects.

For the year ended 31 March 2001

27. Warrants

On 6 July 1999, the Company entered into a conditional placing and underwriting agreement with a placing agent in connection with a private placing of 180,700,000 units of warrants with independent investors at a placing price of HK\$0.139 per unit. The warrants will be issued in registered form in units of HK\$0.60 of subscription rights, entitling their holders to subscribe for shares of HK\$0.10 each of the Company at an initial price of HK\$0.60 per share, subject to adjustment, at any time on or after the date of issue thereof but not later than 31 August 2001. The new shares falling to be issued upon full exercise of the subscription rights attaching to the warrants represent approximately 20% of the then existing issued shares and approximately 16.67% of the total issued shares as enlarged by the allotment and issue of such new shares. The initial subscription price of HK\$0.60 per share under the warrants represented a discount of approximately 13.04% to the closing price of HK\$0.69 per share quoted on HKSE on 6 July 1999. The net proceeds of approximately HK\$24 million were used as general working capital and for the expansion of the Group's business and for future and other strategic investments if opportunity arose.

During the year ended 31 March 2000, warrants carrying subscription rights of HK\$2,520,000 were exercised. At 31 March 2000 and 31 March 2001, warrants carrying subscriptions rights of HK\$105,900,000 remain outstanding.

The subscription price of the warrants was adjusted from HK\$0.60 per share to HK\$0.59 per share with effect from 30 December 1999, the last business day immediately before the announcement of placement of shares together with share options as stated in note 26(d), and from HK\$0.59 per share to HK\$0.58 per share with effect from 19 January 2000, the date of the completion of that placement.

For the year ended 31 March 2001

28. Share Options

- (a) Under the Company's share option scheme which became effective on 16 September 1994 for a period of ten years, the directors may grant options to any eligible employees of the Group, including directors of the Company, to subscribe for shares in the Company. Options granted are exercisable subject to specified terms and within a specified period which shall not be more than ten years from the date of granting of the options. The subscription price of the option shares is the higher of the nominal value of the shares and an amount which is not less than 80% of the average of the closing prices of the shares on the five trading days immediately preceding the grant of the options.

During the year, the movement in the number of options outstanding under the aforesaid share option scheme was as follows:

	Number of option shares granted under the share option scheme	
	2001	2000
Balance at beginning of the year	25,744,000	73,500
Granted during the year	19,500,000	83,140,000
Exercised during the year	(1,331,000)	(53,354,000)
Lapsed upon termination of employment of employees	(13,436,000)	(4,115,500)
Balance at end of the year	<u>30,477,000</u>	<u>25,744,000</u>

The balance of outstanding options as at 31 March 2001 and 31 March 2000 comprises:

Exercisable period	Exercise price HK\$	Number of options shares	
		2001	2000
1.4.1999 — 31.3.2002	0.10	977,000	2,744,000
9.9.1999 — 8.9.2002	0.85	10,000,000	23,000,000
2.2.2001 — 1.2.2011	0.33	19,500,000	—
		<u>30,477,000</u>	<u>25,744,000</u>

No consideration was received by the Company for the options granted during the year.

For the year ended 31 March 2001

28. Share Options (Continued)

- (b) On 19 January 2000, 96,000,000 share options to subscribe for shares of the Company at the exercise price of HK\$0.738 per option share were granted to the places under the share placement as stated in note 26(d). The share options are transferable and are exercisable in multiples of 2,000 share options each time by the option holders at any time from the date of the grant of the options up to the date being one year after the date of the grant of the options (both days inclusive).

The movement in the above mentioned share options during the year was as follows:

	Number of option shares	
	2001	2000
Balance at beginning of the year	82,000,000	—
Granted during the year	—	96,000,000
Exercised during the year	(10,000,000)	(14,000,000)
Lapsed upon expiry	(72,000,000)	—
Balance at end of the year	<u>—</u>	<u>82,000,000</u>

For the year ended 31 March 2001

29. 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	Accumulated losses HK\$'000	Total HK\$'000
THE GROUP								
At 1 April 1999	261,093	32,310	631	28,648	1,190	—	(378,636)	(54,764)
Reserves arising from placing of warrants	—	—	—	—	—	25,117	—	25,117
Expenses in connection with the placing of warrants	—	—	—	—	—	(1,211)	—	(1,211)
Premium arising from issue of shares:								
— new issues by placements	159,736	—	—	—	—	—	—	159,736
— new issue as consideration shares	52,593	—	—	—	—	—	—	52,593
— upon exercise of share options	9,886	—	—	—	—	—	—	9,886
— upon exercise of warrants	2,684	—	—	—	—	(584)	—	2,100
Expenses in connection with issue of new shares	(5,055)	—	—	—	—	—	—	(5,055)
Surplus on revaluation of other properties	—	1,308	—	—	—	—	—	1,308
Reserves realised upon disposal of subsidiaries	—	—	—	(2,180)	—	—	—	(2,180)
Share of movement of reserve of associates	—	—	31	—	—	—	—	31
Exchange difference arising on translation of operations outside Hong Kong	—	—	225	—	—	—	—	225
Goodwill arising on acquisition of an associate	—	—	—	—	—	—	(55,040)	(55,040)
Capital reserve arising on increase in shareholding of a subsidiary	—	—	—	327	—	—	—	327
Net profit for the year	—	—	—	—	—	—	35,207	35,207
At 31 March 2000 and 1 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
Surplus on revaluation of other properties	—	2,525	—	—	—	—	—	2,525
Reserves realised upon disposal of subsidiaries	—	—	—	72	—	—	—	72
Share of movement of reserve of associates	—	—	(109)	—	—	—	—	(109)
Exchange difference arising on translation of operations outside Hong Kong	—	—	(1,073)	—	—	—	—	(1,073)
Repurchase of own shares	(3,010)	—	—	—	—	—	—	(3,010)
Impairment loss recognised in relation to the goodwill arising on acquisition of an associate	—	—	—	—	—	—	55,040	55,040
Net loss for the year	—	—	—	—	—	—	(130,321)	(130,321)
At 31 March 2001	<u>484,307</u>	<u>36,143</u>	<u>(295)</u>	<u>26,867</u>	<u>1,190</u>	<u>23,322</u>	<u>(473,750)</u>	<u>97,784</u>
Attributable to:								
The Company and its subsidiaries	484,307	36,143	(217)	26,867	1,190	23,322	(472,382)	99,230
Associates	—	—	(78)	—	—	—	(1,368)	(1,446)
	<u>484,307</u>	<u>36,143</u>	<u>(295)</u>	<u>26,867</u>	<u>1,190</u>	<u>23,322</u>	<u>(473,750)</u>	<u>97,784</u>

For the year ended 31 March 2001

29. Reserves (Continued)

	Share premium HK\$'000	Contributed surplus 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	Accumulated losses HK\$'000	Total HK\$'000
THE COMPANY									
At 1 April 1999	261,093	129,298	—	—	—	1,190	—	(431,658)	(40,077)
Reserves arising from placing of warrants	—	—	—	—	—	—	25,117	—	25,117
Expenses in connection with the placing of warrants	—	—	—	—	—	—	(1,211)	—	(1,211)
Premium arising from issue of shares:									
— new issue by placements	159,736	—	—	—	—	—	—	—	159,736
— new issue as consideration shares	52,593	—	—	—	—	—	—	—	52,593
— upon exercise of share options	9,886	—	—	—	—	—	—	—	9,886
— upon exercise of warrants	2,684	—	—	—	—	—	(584)	—	2,100
Expenses in connection with issue of new shares	(5,055)	—	—	—	—	—	—	—	(5,055)
Net loss for the year (note 13)	—	—	—	—	—	—	—	(38,375)	(38,375)
At 31 March 2000 and 1 April 2000	480,937	129,298	—	—	—	1,190	23,322	(470,033)	164,714
Premium arising from issue of shares upon exercise of share options	6,380	—	—	—	—	—	—	—	6,380
Repurchase of own shares	(3,010)	—	—	—	—	—	—	—	(3,010)
Net loss for the year (note 13)	—	—	—	—	—	—	—	(93,800)	(93,800)
At 31 March 2001	<u>484,307</u>	<u>129,298</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,190</u>	<u>23,322</u>	<u>(563,833)</u>	<u>74,284</u>

The contributed surplus represents the difference between the nominal value of the Company's shares issued in exchange for all the issued ordinary shares of Oriental Union Strategies Limited and the value of net assets of the underlying subsidiaries acquired as at 31 August 1994, net of HK\$100,000 applied in paying up in full at par the 1,000,000 nil paid shares.

Under the company law in Bermuda, the contributed surplus account of a company is also available for distribution to shareholders. However, the company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) 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 other reserve represents the amount received net of expenses paid in relation to the issue of warrants as described in note 27. This reserve will be released to the share premium account upon exercise of the warrants.

In the opinion of the directors, the Company did not have any distributable reserve as at the balance sheet date.

For the year ended 31 March 2001

30. Unprovided Deferred Taxation

Deferred taxation has not been recognised in the financial statements as it is not expected that the timing differences will reverse in the foreseeable future.

The potential deferred taxation credit of the Group for the year amounted to approximately HK\$6,133,000 (2000: HK\$4,950,000) which represents the tax effect of timing differences in respect of depreciation and tax losses.

At the balance sheet date, the net amount of potential deferred taxation asset (liability) not provided for in the financial statements is analysed as follows:

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Tax effect of timing differences attributable to:		
Taxation losses available to relieve future assessable profit	14,234	7,903
Excess of depreciation allowances claimed for tax purposes over depreciation charged in the financial statements	(524)	(326)
	<u>13,710</u>	<u>7,577</u>

The surplus arising on valuation of the Group's properties does not constitute a timing difference for tax purposes as any profit realised on their subsequent disposal would not be subject to taxation.

At the balance sheet date, the Company had no significant unprovided deferred taxation.

For the year ended 31 March 2001

31. Reconciliation of (Loss) Profit from Ordinary Activities before Taxation to Net Cash Outflow from Operating Activities

	2001 HK\$'000	2000 HK\$'000
(Loss) profit from ordinary activities before taxation	(130,494)	34,790
Share of results of associates	1,106	135
Depreciation of property, plant and equipment	12,145	14,812
Amortisation of prepaid rental	1,579	2,055
Interest on bank and other borrowings	331	2,446
Loss on disposal of property, plant and equipment	22	835
Loss on write-off of property, plant and equipment	4,259	—
Prepaid rentals written off	1,468	4,854
Interest income	(3,566)	(1,462)
Dividend income	(79)	(284)
Impairment losses recognised in relation to an associate	66,857	—
Loss on disposal/closure of subsidiaries	1,739	3,054
Unrealised holding loss on other investments	4,641	5,073
Provision for bad and doubtful debts	4,942	4,387
Waiver of a creditor balance	—	(3,775)
Gain arising in relation to undertakings by a former shareholder excluding the set-off of bank overdrafts of HK\$40,269,000 (note 34(b)) by deposits placed by a former shareholder	—	(67,625)
Loss on disposal/write-off of investment securities	—	286
Decrease in amount due from a related party	2,249	—
Increase in other investments	(8,953)	(20,039)
Increase in debtors, deposits and prepayments	(19,066)	(22,268)
Increase in deposit paid for purchase of trading inventories	—	(9,500)
(Decrease) increase in creditors and accrued charges	(22,051)	10,906
Increase (decrease) in amount due to an associate	33	(1,434)
	<u>(82,838)</u>	<u>(42,754)</u>
Net cash outflow from operating activities	<u>(82,838)</u>	<u>(42,754)</u>

For the year ended 31 March 2001

32. Disposal/Closure of Subsidiaries

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Net liabilities disposed of:		
Investment properties	—	3,200
Property, plant and equipment	523	4,054
Investments in securities	—	236
Debtors, deposits and prepayments	16,408	3,652
Taxation recoverable	—	101
Bank balances and cash	1,302	633
Creditors and accrued charges	(10,066)	(4,992)
Bank loans	—	(1,650)
Intercompany debts	(278,616)	(197,060)
	<u>(270,449)</u>	<u>(191,826)</u>
Goodwill (capital reserve) realised	72	(2,180)
Loss on disposal/closure of subsidiaries	(1,739)	(3,054)
Assignment/waiver of intercompany indebtedness	278,616	197,060
	<u>6,500</u>	<u>—</u>
Satisfied by:		
Cash consideration	1,950	—
Consideration receivable included under debtors, deposits and prepayments	4,550	—
	<u>6,500</u>	<u>—</u>
Analysis of net inflow (outflow) of cash and cash equivalents in connection with the disposal/ closure of subsidiaries:		
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Cash consideration	1,950	—
Bank balance and cash disposed of	(1,302)	(633)
	<u>648</u>	<u>(633)</u>

The subsidiaries disposed of during the year contributed approximately HK\$7,556,000 to the Group's net operating cash outflows, paid approximately HK\$3,000 in respect of the net returns on investment and servicing of finance, and paid approximately HK\$10,000 for investing activities.

For the year ended 31 March 2001

32. Disposal/Closure Of Subsidiaries (Continued)

The subsidiaries disposed of during the year contributed approximately HK\$57,455,000 to the Group's turnover and approximately HK\$4,804,000 to the Group's loss from operations.

The subsidiaries closed/disposed of in 2000 did not have any significant impact on the Group's operating results and cash flows.

33. Analysis Of Changes In Financing During The Year

	Share capital including premium and other reserves HK\$'000	Bank loans HK\$'000	Loans due to Central China HK\$'000	Loan from a director HK\$'000	Obligations under finance leases and hire purchase contracts HK\$'000
Balance at 1 April 1999	329,512	38,858	47,478	4,898	20
Proceeds from issue of warrants, net of expenses	23,906	—	—	—	—
Proceeds from issue of shares (excluding consideration shares), net of expenses	208,826	—	—	—	—
Issue of consideration shares (note 34(a))	58,015	—	—	—	—
Disposal/closure of subsidiaries	—	(1,650)	—	—	—
Repayments during the year	—	(17,061)	—	(4,821)	(20)
Set-off by application of deposits placed by Central China (note 34(b))	—	(20,147)	—	—	—
Waiver of advances from Central China (note 34(c))	—	—	(47,478)	—	—
Balance at 31 March 2000 and 1 April 2000	620,259	—	—	77	—
Proceeds from issue of shares, net of expenses	7,513	—	—	—	—
Repurchase of own shares	(3,909)	—	—	—	—
Repayment during the year	—	—	—	(77)	—
Balance at 31 March 2001	<u>623,863</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

For the year ended 31 March 2001

34. Major Non-Cash Transactions

During the year ended 31 March 2000, the following major non-cash transactions took place:

- (a) The Company issued 54,220,237 shares as the consideration of approximately HK\$58,015,000 for the acquisition of a 50% interest in an associate.
- (b) Deposits together with accrued interest from Central China were applied to set off the Group's outstanding bank overdrafts and bank loans amounting to approximately HK\$40,269,000 and HK\$20,147,000 respectively.
- (c) Advances from Central China amounting to HK\$47,478,000 were waived.

35. Pledge of Assets

At 31 March 2001, the Group pledged certain assets with the following approximate net book values to secure the general banking facilities granted to the Group:

	2001 HK\$'000	2000 HK\$'000
Bank deposits	2,069	15,200
Other investments	—	4,550

36. Related Party Transactions

Save as disclosed in note 25 above, the Group did not have any related party transactions during the year.

37. Contingent Liabilities And Litigations

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Bills discounted with recourse	—	10,282	—	—
Guarantees given to banks in respect of credit facilities granted to subsidiaries	—	—	—	15,000
Guarantees issued by banks on behalf of the Group in favour of certain creditors	—	600	—	—

For the year ended 31 March 2001

37. Contingent Liabilities And Litigations *(Continued)*

- (b) On 29 September 2000, an action was commenced in HCAJ 250 of 2000 by Fuhai Marine Enterprise Limited ("Fuhai Marine") and the owners and/or those entitled to sue in respect of a cargo lately laden on board the ship or vessel "Sui Hang 982" against the demise charterers of the ship "Sui Hang 982" and the owners of the ship or vessel "Sui Hang 982" as well as her sister vessels. Freedom Liberty Limited ("Freedom Liberty"), a wholly owned subsidiary of the Company, acknowledged service of the Writ of Summons in the action as the demise charterer of Sui Hang 982. Fuhai Marine was the forwarding agent of a containerised cargo interests on board the "Zhu Yun 278", the vessel which collided with "Sui Hang 982", on 28 June 2000 within Hong Kong waters. After the collision, "Zhu Yun 278" foundered and sank with all cargoes on board. The claims in that action are for approximately US\$50,000 plus interests and costs and are brought in tort. On 18 July 2001, Guo Yan Hua, Xie Wie Ming and Liang Teng filed and served a praecipe for withdrawal of caveat against payment out of the Court of the proceeds of sale of "Sui Hang 982".
- (c) On 22nd March, 2001, an action was brought by the master and crew members of "Sui Hang 982" in HCAJ 86 of 2001 against the owners and/or demise charterers of the ship or vessel "Sui Hang 982" for RMB35,800 plus HK\$15,600 plus interests and cost thereon.
- (d) On 27 June 2001, an action was commenced in HCAJ 202 of 2001 by the owners and/or those entitled to sue in respect of cargo lately laden on board the ship or vessel "Zhu Yun 278" against the owners and/or demise charterers of the ship or vessel "Sui Hang 982". The claims in that action are for damages and interests, which was not specified in the Indorsement of Claim and arising out of the collision between "Sui Hang 982" and "Zhu Yun 278" on 28 June 2000 within Hong Kong waters. After the collision, "Zhu Yun 278" foundered and sank with all cargoes on board.
- (e) On 27 June 2001, an action was commenced in HCAJ 203 of 2001 by the owners and/or those entitled to sue in respect of cargo lately laden on board the ship or vessel "Zhu Yun 278" against the owners and/or demise charterers of the ship or vessel "Sui Hang 982". the claims in that action are for damages and interests, which was not specified in the Indorsement of Claim and arising out of the collision between "Sui Hang 982" and "Zhu Yun 278" on 28 June 2000 within Hong Kong waters. After the collision, "Zhu Yun 278" foundered and sank with all cargoes on board.

The Group strongly disputes the above claims and has not made any provision in the financial statements in connection with the claims.

For the year ended 31 March 2001

38. Capital Commitments

	THE GROUP	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Capital expenditure contracted for property, plant and equipment but not provided in the financial statements	<u>126</u>	<u>2,064</u>

The Company did not have any significant capital commitments at the balance sheet date.

39. Operating Lease Commitments

At the balance sheet date, the Group had outstanding commitments under non-cancellable operating leases and the portion of these commitments which is payable in the following year is as follows:

	THE GROUP	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
In respect of rented premises which expire:		
Within one year	1,619	37
In the second to fifth years inclusive	—	4,600
Over five years	—	438
	<u>1,619</u>	<u>5,075</u>

The Company did not have any commitments under non-cancellable operating leases at the balance sheet date.

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40. Retirement Benefits Scheme

With the implementation of Mandatory Provident Fund Scheme in Hong Kong on 1 December 2000, the Group has maintained the defined contribution scheme registered under the Occupational Retirement Schemes Ordinance ("ORSO Scheme") and has obtained an exemption satisfying the requirements of the Mandatory Provident Fund Schemes Ordinance ("MPFO").

To comply with MPFO, a Mandatory Provident Fund Scheme ("MPF Scheme") with voluntary contributions has been established. Existing ORSO Scheme members were given a one-off choice on the MPF exempted ORSO Scheme and the MPF Scheme. New employees must join the MPF Scheme when it commenced on 1 December 2000.

The amount charged to the income statement represents contributions payable to the scheme by the Group at rates specified in the rules of the scheme less forfeiture arising from employees leaving the Group prior to completion of qualifying service period, if any.

At the balance sheet date, the Group did not have any forfeited contributions, which arose upon employees leaving the retirement benefits scheme and which are available to reduce the contributions payable in future years (2000: nil).

41. Post Balance Sheet Events

On 5 June 2001, the Company entered into a formal agreement in connection with the acquisition of an interest in Oriental Express Development Limited ("Oriental Express"), together with the assignment of loan by Huge Victory Limited ("Vendor") to the Company, and the assignment of option to acquire 1,000,000 Oriental Express shares to the Company. Oriental Express is a limited liability company incorporated in Hong Kong and is principally engaging in long distance professional educational services through satellite and internet in the PRC.

Subsequently on 12 July 2001, the Company entered into a supplemental agreement with the Vendor to amend certain terms and conditions of the formal agreement. Pursuant to the supplemental agreement, the Company would acquire 20 per cent of the entire issued share capital of Oriental Express ("Sale Shares"), together with the assignment of approximately 31.4% of the loan by the Vendor to the Company ("Sale Loan") and has the call option to acquire all the 43.46 per cent of Oriental Express Shares from the Vendor.

Pursuant to the supplemental agreement, the aggregate consideration for the acquisition of the Sale Shares and the Sale Loan, amounting to HK\$35 million, will be settled as to HK\$5 million in cash upon completion and HK\$30 million to set off against the deposits (which included HK\$10.14 million paid up to 31 March 2001) previously paid.

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42. Principal Subsidiaries

Details of the Company's principal subsidiaries at 31 March 2001 are as follows:

Name of subsidiary	Place of incorporation or registration/ operations	Nominal value of issued ordinary share capital/ registered capital	Attributable equity interest to the Group	Principal activity
Shares held directly:				
Oriental Union Strategies Limited	British Virgin Islands/ Hong Kong	US\$300,000	100%	Investment holding
Shares held indirectly:				
Fortune Union Investment Limited	Hong Kong	HK\$10,000	100%	Investment holding
Freedom Liberty Limited	British Virgin Islands/ Hong Kong	US\$1	100%	Chartering of vessels
Gold Crest Securities Limited	British Virgin Islands/ Hong Kong	US\$1	100%	Trading of securities
Haihua Freight Services (HK) Limited	Hong Kong	HK\$2	100%	Leaseholder of the office premises
Jungjin Shipping Company Limited	Hong Kong	Ordinary HK\$1,000 Deferred HK\$2 **	100%	Vessel operations shipping agency
Ocean Blue Development Limited	British Virgin Islands/ Hong Kong	US\$1	100%	Investment holding
Oriental Union Management Services Limited	Hong Kong	HK\$2	100%	Provision of management services
Postboat Assets Limited	British Virgin Islands/ Hong Kong	US\$1	100%	Trading of securities
Shanghai Fortune Limited ("SFL")	Hong Kong	HK\$2	100%	Investment holding
上海聯亞集裝箱服務有限公司 Shanghai United Asia Container Services Co., Ltd.	PRC	US\$9,000,000	*	Container depot operator

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42. Principal Subsidiaries (Continued)

- * The subsidiary is a co-operative joint venture between SFL and two PRC parties whose respective rights and obligations with respect to the said joint venture are specified in a co-operative joint venture contract. Under the co-operative joint venture contract, the registered capital of the joint venture is US\$9,000,000 of which SFL will contribute US\$8,000,000 in cash and the balance of the capital of US\$1,000,000 will be contributed by one of the PRC parties in the form of the right to use a piece of land in the PRC during the term of the joint venture. Under the terms of the co-operative joint venture contract, SFL has the sole right to manage and operate the joint venture and, after payment of fixed amounts to the PRC parties, is entitled to all profits and is liable for all losses of the joint venture.
- ** The deferred shares, which are held by the Group, practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the respective companies or to participate in any distribution in winding up.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the assets and liabilities 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 loan capital outstanding at the end of the year or at any time during the year.