

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

*For the six months ended 30th September, 2001*

### 1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the Statement of Standard Accounting Practice No. 25 “Interim financial reporting” (“SSAP 25”) issued by the Hong Kong Society of Accountants and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of securities on The Stock Exchange of Hong Kong Limited.

### 2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st March, 2001, except as described below.

In the current period, the Group has adopted, for the first time, a number of new/revised Statements of Standard Accounting Practice (“SSAP”) issued by the Hong Kong Society of Accountants, resulting in the adoption of the following new accounting policy.

#### **Goodwill**

In the current period, the Group has adopted SSAP 30 “Business combinations” and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill arising on acquisition prior to 1st April, 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisition prior to 1st April, 2001 will be credited to income at the time of disposal of the relevant subsidiary or associate.

Goodwill arising on acquisition on or after 1st April, 2001 is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisition on or after 1st April, 2001 is presented as deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

### 3. SEGMENT INFORMATION

The Group's turnover and contribution to loss from operations analysed by principal activity and by geographic location are as follows:

#### Business Segments

	Turnover		Segment results	
	1.4.2001 to 30.9.2001 HK\$'000	1.4.2000 to 30.9.2000 HK\$'000	1.4.2001 to 30.9.2001 HK\$'000	1.4.2000 to 30.9.2000 HK\$'000
Continued operation:				
Freight forwarding and vessel operating common carrier services	16,175	59,421	(1,385)	1,026
Operating of container depots and logistics management services	10,146	8,192	(10)	(587)
Securities trading	22,380	–	3,011	(6,218)
	48,701	67,613	1,616	(5,779)
Discontinued operation:				
Steam coal trading	–	22,366	–	(177)
	48,701	89,979	1,616	(5,956)
Interest income			75	686
Unallocated corporate expenses:				
Corporate finance overheads			(10,047)	(7,048)
Group overheads			(19,514)	(18,729)
Loss from operations			(27,870)	(31,047)

## Geographical Segments

	Turnover		Segment results	
	1.4.2001 to 30.9.2001 <i>HK\$'000</i>	1.4.2000 to 30.9.2000 <i>HK\$'000</i>	1.4.2001 to 30.9.2001 <i>HK\$'000</i>	1.4.2000 to 30.9.2000 <i>HK\$'000</i>
Hong Kong	37,726	37,386	2,815	(8,249)
Mainland China	10,975	30,227	(1,199)	2,470
Korea	–	22,366	–	(177)
	<b>48,701</b>	89,979	<b>1,616</b>	(5,956)
Interest income			75	686
Unallocated corporate expenses:				
Corporate finance overheads			(10,047)	(7,048)
Group overheads			(19,514)	(18,729)
Loss from operations			<b>(27,870)</b>	(31,047)

Note: There were no inter-segment sales made during the period.

## 4. OTHER EXPENSES

	Six months ended	
	30.9.2001 <i>HK\$'000</i>	30.9.2000 <i>HK\$'000</i>
Unrealised holding loss of other investments	–	6,191
Provision for bad debts	–	4,821
	<b>–</b>	11,012

## 5. LOSS FROM OPERATIONS

	Six months ended	
	30.9.2001 <i>HK\$'000</i>	30.9.2000 <i>HK\$'000</i>
Loss from operations has been arrived at after charging:		
Amortisation of prepaid rentals	648	790
Depreciation and amortisation on assets owned by the Group	4,180	5,501
Loss on disposal of property, plant and equipment	317	341

## 6. RESERVE REALISED UPON EXPIRY OF WARRANTS

The reserve, which represented the amount received net of expenses paid in relation to the issue of warrants to independent investors in August 1999 and was unutilised as of 31st August, 2001, the date of expiry of the warrants, was released to the income statement during the period.

## 7. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group did not have any assessable profit in the period.

## 8. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the period of HK\$4,858,000 (six months ended 30.9.2000: HK\$35,715,000) and on the weighted average number of 1,173,284,000 (six months ended 30.9.2000: 1,166,635,000) shares in issue during the period.

No diluted loss per share has been calculated for the six months ended 30th September, 2001 and 30th September, 2000 as the exercise of the share options and warrants would result in a decrease in the loss per share for both periods.

## 9. PROPERTY, PLANT AND EQUIPMENT

	<i>HK\$'000</i>
Net book value at 31st March, 2001	90,607
Currency realignment	1,946
Eliminated on disposal of a subsidiary	(21)
Additions	2,076
Disposals	(792)
Depreciation	(4,180)
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Net book value at 30th September, 2001	<hr/> <hr/> 89,636

## 10. INTEREST IN ASSOCIATES

	At 30.9.2001 <i>HK\$'000</i>	At 31.3.2001 <i>HK\$'000</i>
Share of net assets	3,904	3,924
Goodwill	37,354	–
Amounts due from associates	13,202	11,817
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	54,460	15,741
Less: Impairment loss recognised	(11,817)	(11,817)
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	<hr/> <hr/> 42,643	<hr/> <hr/> 3,924

On 21st September, 2001, the Group completed its acquisition of 20% interest in Oriental Express Development Limited (“Oriental Express”) and its subsidiary (collectively referred as to the “Oriental Express Group”). Oriental Express is a limited liability company incorporated in Hong Kong and Oriental Express Group is principally engaged in the provision of technical services to support long distance professional educational services through satellite and internet in the Mainland China.

## 11. DEBTORS, DEPOSITS AND PREPAYMENTS

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

At 30th September, 2001, the balance of debtors, deposits and prepayments included trade debtors of HK\$3,661,000 (31.3.2001: HK\$8,898,000). The aged analysis of trade debtors at the reporting dates are as follows:

	At 30.9.2001 HK\$'000	At 31.3.2001 HK\$'000
0 – 60 days	2,752	7,614
61 – 90 days	334	765
91 – 180 days	551	323
181 days – 1 year	24	118
Over 1 year	–	78
	<b>3,661</b>	<b>8,898</b>

## 12. CREDITORS AND ACCRUED CHARGES

At 30th September, 2001, the balance of creditors and accrued charges included trade creditors of HK\$3,289,000 (31.3.2001: HK\$4,872,000). The aged analysis of the trade creditors at the reporting dates are as follows:

	At 30.9.2001 HK\$'000	At 31.3.2001 HK\$'000
0 – 60 days	2,810	4,016
61 – 90 days	123	–
91 – 180 days	52	352
181 days – 1 year	–	46
Over 1 year	304	458
	<b>3,289</b>	<b>4,872</b>

### 13. SHARE CAPITAL

	Number of shares	Issued and full paid share capital <i>HK\$'000</i>
Share of HK\$0.10 each:		
Balance at 1st April, 2001	<b>1,162,344,315</b>	116,234
Issue of shares upon exercise of share options under the share option scheme	<b>10,397,000</b>	1,040
Balance at 30th September, 2001	<b>1,172,741,315</b>	117,274

### 14. RESERVES

	Share premium <i>HK\$'000</i>	Other property revaluation reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April, 2001	484,307	36,143	(295)	26,867	1,190	23,322	(473,750)	97,784
Premium arising from issue of shares upon exercise of share options	2,185	-	-	-	-	-	-	2,185
Exchange differences arising on translation of operations outside Hong Kong	-	-	1,507	-	-	-	-	1,507
Share of movement of reserve of associates	-	-	150	-	-	-	-	150
Reserve released upon expiry of warrants	-	-	-	-	-	(23,322)	-	(23,322)
Net loss for the period	-	-	-	-	-	-	(4,858)	(4,858)
At 30th September, 2001	486,492	36,143	1,362	26,867	1,190	-	(478,608)	73,446

## 15. CONTINGENCIES AND COMMITMENTS

### (a) Litigations

- (i) On 29th September, 2000, an action was commenced in HCAJ 250 of 2000 (the "Action") 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 28th 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 18th July, 2001, Guo Yan Hua, Xie Wie Ming and Liang Teng (together the "Crew") filed and served a praecipe for withdrawal of caveat against payment out of the Court of the proceeds of sale of "Sui Hang 982". An application has been made and an order was made by the court on 8th October, 2001 to transfer the Action to the District Court as the claims fall below the financial limit of the High Court. The Crew has sought to discontinue the action against the proceeds of sale of "Sui Hang 982". The Group strongly disputes the above claims and has not made any provision in the financial statements in connection with the claims.
- (ii) On 19th February, 2001, the Company issued a Writ of Summons under High Court Action No. 798 of 2001 against One Network Investments Limited ("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 Information Development Company Limited together with interest and costs. On 7th May, 2001, the 2nd, 3rd and 4th Defendant filed and served a Defence and Counterclaim. On 4th June, 2001, the Plaintiff filed and served a Reply and Defence to Counterclaim. On 10th July, 2001, the 1st Defendant filed and served a Defence. The parties have been in discussions on a without prejudice basis to settle the matter. The Group strongly disputes the above claim and has taken necessary action to recover the outstanding deposit.

- (iii) 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. Freedom Liberty was involved in the action because it has acknowledged services of the Writ of Summons of HCAJ 250 of 2000, the action referred to in (i) above as a demise charterer of the ship or vessel “Sui Hang 982” and this action was brought against its owners and/or demise charterers. The case is currently being handled by the Company’s legal advisers on admiralty case. The Group strongly disputes the above claims and has not made any provision in the financial statements in connection with the claims.
  
- (iv) On 27th 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 28th June, 2000 within Hong Kong waters. After the collision, “Zhu Yun 278” foundered and sank with all cargoes on board. Freedom Liberty was involved in the action because it has acknowledged services of the Writ of Summons of HCAJ 250 of 2000, the action referred to in (i) above as a demise charterer of the ship or vessel “Sui Hang 982” and this action was brought against its owners and/or demise

charterers. The case is currently being handled by the Company's legal advisers on admiralty case. The Group strongly disputes the above claims and has not made any provision in the financial statements in connection with the claims.

- (v) On 27th 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 28th June, 2000 within Hong Kong waters. After the collision, "Zhu Yun 278" foundered and sank with all cargoes on board. Freedom Liberty was involved in the action because it has acknowledged services of the Writ of Summons of HCAJ 250 of 2000, the action referred to in (i) above as a demise charterer of the ship or vessel "Sui Hang 982" and this action was brought against its owners and/or demise charterers. The case is currently being handled by the Company's legal advisers on admiralty case. The Group strongly disputes the above claims and has not made any provision in the financial statements in connection with the claims.

**(b) Capital commitments**

	At 30.9.2001 HK\$'000	At 31.3.2001 HK\$'000
Capital expenditure contracted for the acquisition of property, plant and equipment but not provided in the condensed financial statements	—	126

## 16. POST BALANCE SHEET EVENTS

- (a) On 5th September, 2001, the Company entered into a conditional placing and underwriting agreement with a placing agent in connection with a private placing of 234,000,000 units of warrants with independent investors at a placing price of HK\$0.15 per unit. The warrants will be issued in registered form in units of HK\$0.15 of subscription rights, entitling their holders to subscribe for shares of HK\$0.10 each of the Company at a price of HK\$0.5 per share, subject to adjustment, at any time on or after the date of issue thereof but not later than 31st March, 2004. The new shares falling to be issued upon full exercise of the subscription rights attaching to the warrants represent approximately 19.95% of the then existing issued shares and approximately 16.63% of the total issued shares as enlarged by the allotment and issue of such new shares. The initial subscription price of HK\$0.5 per share under the warrants represents a premium of approximately 2.04% to the closing price of HK\$0.49 per share quoted on The Stock Exchange of Hong Kong Limited on 5th September, 2001. The net proceeds of approximately HK\$33 million will be used as general working capital and to finance future and other strategic investments when the appropriate opportunity arises. The placing of warrants was completed subsequent to 30th September, 2001.
- (b) On 23rd November, 2001, the Company entered into a formal agreement in connection with the proposed acquisition of a 45% interest (“Sale Shares”) in Independent Islands Limited (“Independent Islands”), together with the outstanding loan (“Sale Loan”) due from Independent Islands to Famous Islands Limited (“Vendor”). Independent Islands is a company incorporated in the British Virgin Islands with limited liability and its principal investment is a 80.65% equity interest in 北京沃和賽騰網絡技術有限公司 Beijing Worthope Sathen Network Technology Company Limited (“Beijing Worthope”) which is a sino-foreign equity joint venture company established in the People’s Republic of China (“PRC”) and is engaged in the provision of technical support services for the continuing education services and professional training and other related services to medical practitioners in the PRC.

Pursuant to the agreement, the consideration for the Sales Shares in the amount of HK\$175,630,000 shall be satisfied in the following manner:

- a. (i) in the event the remaining balance of Independent Islands portion of capital contribution to Beijing Worthope ("Remaining Capital Contribution") is paid in full before the date of completion, HK\$105,850,000 will be paid in cash to the Vendor on completion; or
- (ii) in the event the Remaining Capital Contribution remained unpaid on or before the date of completion, HK\$10,081,622.11 (representing 45% of the Remaining Capital Contribution) will be retained by the Group and HK\$95,768,377.89 will be paid in cash to the Vendor on completion;
- b. as to HK\$3,000,000 to be set off against the deposit paid subsequent to 30th September, 2001; and
- c. as to HK\$66,780,000 by the allotment and issue of 140,000,000 new shares of the Company ("Consideration Share(s)") at an issue price of HK\$0.477 per Consideration Share at completion.

The consideration for the Sale Loan shall be the sum of HK\$1 payable in cash by the Group to the Vendor at completion.

On 23rd November, 2001, the Company entered into the placing and underwriting agreement with placing agents in connection with a placing of 208.8 million placing shares at a placing price of HK\$0.477 per placing shares to independent investors. The placing shares represent approximately 17.80% of the existing issued share capital of the Company; and approximately 13.72% of the share capital of the Company as enlarged by the issue of the placing shares and the consideration shares. The net proceeds of approximately HK\$96.5 million will be applied entirely in settling part of the cash consideration for the above acquisition.