

Notes to the Financial Statements

For The Year Ended 31 March 2002

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 freight forwarding services, securities trading, operation of container depots and provision of logistics management services.

Its associates are principally engaged in the business of development and provision of technical services to support long distance professional educational services through satellite in the Mainland China.

2. Adoption Of New And Revised Statements Of Standard Accounting Practice

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice ("SSAP"s) issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts and disclosures for the prior year have been restated in order to achieve a consistent presentation.

The adoption of these new and revised SSAPs has resulted in the following changes to the Group's accounting policies that have affected the amounts reported and disclosures for the current and prior years.

Leases

SSAP 14 (Revised) "Leases" has introduced some amendments to the basis of accounting for leases, and to the disclosures specified for the Group's leasing arrangements. These changes have not had any material effect on the results for the current or prior accounting periods. Disclosures for the Group's leasing arrangements have been modified so as to comply with the requirements of SSAP 14 (Revised). Comparative amounts and disclosures have been restated in order to achieve a consistent presentation.

Notes to the Financial Statements

For The Year Ended 31 March 2002

2. Adoption Of New And Revised Statements Of Standard Accounting Practice *(Continued)*

Segment reporting

In the current year, the Group has followed the basis of identification of reportable segments to that required by SSAP 26 "Segment reporting". Segment disclosures for the year ended 31 March 2001 have been amended so that they are presented on a basis consistent with that for the current year.

Goodwill

In the current year, the Group has adopted SSAP 30 "Business combinations" and has elected not to restate the goodwill previously written off against reserves.

Goodwill/negative goodwill arising on acquisition prior to 1 April 2001 continues to be held in reserves and will be charged/credited 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.

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

3. 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.

Notes to the Financial Statements

For The Year Ended 31 March 2002

3. Significant Accounting Policies *(Continued)*

Basis of consolidation *(Continued)*

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 arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition.

Goodwill arising on acquisition after 1 April 2001 is recognised as an asset and amortised on a straight line basis over its estimated useful life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Goodwill arising on acquisition prior to 1 April 2001 continues to be written off against 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.

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

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition over the cost of acquisition.

Notes to the Financial Statements

For The Year Ended 31 March 2002

3. Significant Accounting Policies *(Continued)*

Negative goodwill *(Continued)*

Negative goodwill arising on acquisition after 1 April 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted. To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight line basis over the remaining average useful lives of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised as income immediately. Negative goodwill arising on the acquisition of an associate is deducted from the carrying value of that associate. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

Negative goodwill arising on acquisition prior to 1 April 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary or associate.

Revenue recognition

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.

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

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

Notes to the Financial Statements

For The Year Ended 31 March 2002

3. Significant Accounting Policies *(Continued)*

Revenue recognition *(Continued)*

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 are stated at cost or valuation less accumulated depreciation, amortisation and impairment loss, if any.

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.

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).

Depreciation and amortisation are provided to write off the cost or valuation of property, plant and equipment 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	12 ¹ / ₂ % — 20%
Motor vehicles	16 ² / ₃ % — 20%
Tractors, trailers and chassis	8 ¹ / ₃ %
Plant and machinery	6 ² / ₃ % — 20%

Notes to the Financial Statements

For The Year Ended 31 March 2002

3. Significant Accounting Policies *(Continued)*

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at carrying value less any identified impairment loss.

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

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 plus unamortised goodwill (negative goodwill) arising on acquisition, less any identified impairment loss.

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.

Notes to the Financial Statements

For The Year Ended 31 March 2002

3. Significant Accounting Policies *(Continued)*

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the impairment loss is treated as a revaluation decrease under that SSAP.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase under that other SSAP.

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 an 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.

Notes to the Financial Statements

For The Year Ended 31 March 2002

3. Significant Accounting Policies *(Continued)*

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.

Retirement benefits costs

Payments to defined contribution retirement benefits schemes are charged as expenses as they fall due.

4. Turnover

Turnover represents the net amounts received and receivable for 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 an analysis of the Group's turnover is as follows:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Continued operations:		
Freight forwarding and vessel operating common carrier services	28,761	80,228
Sale of investments in securities	22,380	13,059
Provision of depot container services and logistics management services	18,165	21,638
	69,306	114,925
Discontinued operation:		
Sale of steam coal (note 12)	—	22,425
	69,306	137,350

Notes to the Financial Statements

For The Year Ended 31 March 2002

5. Business And Geographical Segments

Business segments

For management purposes, the Group is currently organised into the following operating divisions — freight forwarding and vessel operating common carrier services, securities trading, operation of container depots and logistics management services, and strategic investments and others. For the year ended 31 March 2001, the Group also had steam coal trading division. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

	Freight forwarding and vessel operating common carrier services HK\$'000	Securities trading HK\$'000	Operation of container depots and logistics management services HK\$'000	Strategic investments and others HK\$'000	Consolidated HK\$'000
For the year ended 31 March 2002					
Turnover	28,761	22,380	18,165	—	69,306
Segment results	(9,554)	(5,895)	(1,321)	(5,293)	(22,063)
Interest income					132
Group overheads					(28,371)
Corporate finance overheads					(4,919)
Loss from operations					(55,221)
Share of results of associates	(3,436)	—	—	(1,708)	(5,144)
Amortisation of goodwill	—	—	—	(6,124)	(6,124)
Allowances for loan receivable from a joint venture partner	(4,065)	—	—	—	(4,065)
Loss on disposal of a subsidiary	(225)	—	—	—	(225)
Reserve realised upon expiry of warrants					23,322
Loss from ordinary activities before taxation					(47,457)
Taxation credit					93
Loss before minority interests					(47,364)
Minority interests					176
Net loss for the year					(47,188)

Notes to the Financial Statements

For The Year Ended 31 March 2002

5. Business And Geographical Segments *(Continued)*

Business segments *(Continued)*

	Freight forwarding and vessel operating common carrier services HK\$'000	Securities trading HK\$'000	Operation of container depots and logistics management services HK\$'000	Steam coal trading HK\$'000	Strategic investments and others HK\$'000	Consolidated HK\$'000
At 31 March 2002						
ASSETS						
Segment assets	8,578	—	89,202	450	52,901	151,131
Interest in associates	556	—	—	—	211,949	212,505
Unallocated corporate assets						8,048
Consolidated total assets						371,684
LIABILITIES						
Segment liabilities	4,401	—	2,568	—	—	6,969
Unallocated corporate liabilities						11,463
Consolidated total liabilities						18,432
OTHER INFORMATION						
Capital additions	673	—	1,430	—	1,214	3,317
Depreciation and amortisation	1,558	—	5,244	—	8,015	14,817
Write-off of prepaid rentals	4,997	—	—	—	—	4,997

Notes to the Financial Statements

For The Year Ended 31 March 2002

5. Business And Geographical Segments *(Continued)*

Business segments *(Continued)*

	Freight forwarding and vessel operating common carrier services HK\$'000	Securities trading HK\$'000	Operation of container depots and logistics management services HK\$'000	Steam coal trading HK\$'000	Strategic investments and others HK\$'000	Consolidated HK\$'000
For the year ended 31 March 2001						
Turnover	80,228	13,059	21,638	22,425	—	137,350
Segment results	(4,307)	(3,327)	(703)	(745)	(222)	(9,304)
Interest income						3,566
Group overheads						(45,454)
Corporate finance overheads						(9,269)
Loss from operations						(60,461)
Finance costs						(331)
Share of results of associates	(394)	—	—	—	(712)	(1,106)
Impairment losses recognised in relation to an associate	—	—	—	—	(66,857)	(66,857)
Loss on disposal of subsidiaries	(1,730)	—	—	(9)	—	(1,739)
Loss from ordinary activities before taxation						(130,494)
Taxation						—
Loss before minority interests						(130,494)
Minority interests						173
Net loss for the year						(130,321)

Notes to the Financial Statements

For The Year Ended 31 March 2002

5. Business And Geographical Segments *(Continued)*

Business segments *(Continued)*

	Freight forwarding and vessel operating common carrier services HK\$'000	Securities trading HK\$'000	Operation of container depots and logistics management services HK\$'000	Steam coal trading HK\$'000	Strategic investments and others HK\$'000	Consolidated HK\$'000
As at 31 March 2001						
ASSETS						
Segment assets	24,881	19,288	92,678	9,500	48,140	194,487
Interest in associates	3,924	—	—	—	—	3,924
Unallocated corporate assets						45,032
Consolidated total assets						243,443
LIABILITIES						
Segment liabilities	6,536	—	4,900	—	—	11,436
Tax liabilities						111
Unallocated corporate liabilities						10,439
Consolidated total liabilities						21,986
OTHER INFORMATION						
Capital additions	99	—	1,049	—	3,176	4,324
Depreciation and amortisation	2,665	—	3,490	—	7,569	13,724
Write-off of prepaid rentals	1,468	—	—	—	—	1,468
Unrealised holding loss of other investments	—	4,641	—	—	—	4,641
Loss on write-off of property, plant and equipment	4,259	—	—	—	—	4,259

Notes to the Financial Statements

For The Year Ended 31 March 2002

5. Business And Geographical Segments *(Continued)*

Geographical segments

The Group's operations are principally located in Hong Kong and Mainland China.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Sales revenue by geographical market		Contribution to (loss) profit from operations	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Mainland China	46,926	31,451	(1,322)	(5,030)
Hong Kong	22,380	90,352	(20,741)	(3,757)
Korea	—	13,690	—	(455)
Others	—	1,857	—	(62)
	69,306	137,350	(22,063)	(9,304)
Interest income			132	3,566
Group overheads			(28,371)	(45,454)
Corporate finance overheads			(4,919)	(9,269)
Loss from operations			(55,221)	(60,461)

Notes to the Financial Statements

For The Year Ended 31 March 2002

5. Business And Geographical Segments *(Continued)*

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by geographical area is as follows:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	69,977	146,841	1,887	3,275
Mainland China	301,707	96,602	1,430	1,049
	371,684	243,443	3,317	4,324

6. Other Operating Income

	2002 HK\$'000	2001 HK\$'000
Other operating income includes the following:		
Interest income	132	3,566
Dividend income from other investments	—	79

7. Other Expenses

	2002 HK\$'000	2001 HK\$'000
Other expenses comprise:		
Prepaid rentals written off (Note)	4,997	1,468
Allowances for bad and doubtful debts	407	4,942
Unrealised holding loss of other investments	—	4,641
Loss on write-off of property, plant and equipment	—	4,259
	5,404	15,310

Notes to the Financial Statements

For The Year Ended 31 March 2002

7. Other Expenses *(Continued)*

Note: During the year ended 31 March 2002, the Group has ceased to use the vessels for cost efficiency purpose and the remaining unamortised prepaid rentals in respect of vessels were fully written off accordingly.

The unamortised prepaid rentals in respect of a vessel were written off in 2001 as the vessel was seized and sold by the court.

8. Loss From Operations

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Loss from operations has been arrived at after charging:		
Amortisation of prepaid rentals	1,295	1,579
Auditors' remuneration		
— current year	1,436	1,355
— (over)underprovision in prior year	(25)	158
Depreciation and amortisation of property, plant and equipment	7,398	12,145
Loss on disposal of property, plant and equipment	488	22
Minimum lease payments under non-cancellable operating leases in respect of		
— rented premises	2,781	2,845
— other assets including vessels and motor vehicles	1,112	364
Staff costs including directors' emoluments <i>(Note)</i>	25,388	26,135

Note: The staff costs for the year included the retirement benefits scheme contributions payable of HK\$353,000 (2001: HK\$635,000), net of forfeited contributions of nil amount (2001: HK\$109,000).

Notes to the Financial Statements

For The Year Ended 31 March 2002

9. Directors' And Employees' Emoluments

	2002 HK\$'000	2001 HK\$'000
Directors' emoluments		
Fees:		
Executive directors	—	—
Independent non-executive directors	350	—
	350	—
Other emoluments to executive directors:		
Salaries and other benefits	7,356	7,792
Performance related incentive payments	448	631
Retirement benefits scheme contributions	68	84
	7,872	8,507
Other emoluments to independent non-executive directors:		
Other benefits	—	—
	8,222	8,507

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

	Number of director(s)	
	2002	2001
Nil — HK\$1,000,000	4	3
HK\$1,000,001 — HK\$1,500,000	3	3
HK\$3,500,001 — HK\$4,000,000	1	—
HK\$4,000,001 — HK\$4,500,000	—	1
	8	7

Notes to the Financial Statements

For The Year Ended 31 March 2002

9. Directors' And Employees' Emoluments *(Continued)*

Employees' emoluments

The five highest paid individuals in the Group in the current year include four (2001: four) directors of the Company and details of their emoluments are included above. The emoluments of the remaining highest paid employee are as follows:

	2002 HK\$'000	2001 <i>HK\$'000</i>
Salaries and other benefits	828	862
Performance related incentive payments	39	65
Retirement benefits scheme contributions	8	18
	875	945

10. Finance Costs

	2002 HK\$'000	2001 <i>HK\$'000</i>
Interest on bank and other borrowings wholly repayable within five years	—	331

11. Impairment Losses Recognised In Relation To An Associate

	2002 HK\$'000	2001 <i>HK\$'000</i>
Impairment loss recognised in relation to the goodwill arising on acquisition of an associate	—	55,040
Impairment loss recognised in value of interest in an associate	—	11,817
	—	66,857

Notes to the Financial Statements

For The Year Ended 31 March 2002

12. 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 5.

13. Taxation Credit

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
The taxation credit (charge) comprises:		
Hong Kong Profits Tax		
Current year	—	—
Underprovision in prior year	(18)	—
Overprovision of overseas tax made in prior year	111	—
	<hr/>	<hr/>
	93	—

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

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

14. Net Loss For The Year

Of the consolidated loss of HK\$47,188,000 (2001: HK\$130,321,000), a loss of HK\$89,564,000 (2001: HK\$93,800,000) has been dealt with in the financial statements of the Company.

Notes to the Financial Statements

For The Year Ended 31 March 2002

15. Loss Per Share

The calculation of the basic loss per share is computed based on the following data:

	2002	2001
	HK\$'000	HK\$'000
Loss:		
Net loss for the year and loss for the purpose of basic loss per share	(47,188)	(130,321)
Number of shares:		
Weighted average number of shares for the purpose of basic loss per share	1,245,689,000	1,165,314,000

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

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16. Property, Plant And Equipment

	Leasehold properties 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 2001	66,300	10,897	14,770	17,376	109,343
Currency realignment	630	49	181	293	1,153
Additions	—	1,776	1,397	144	3,317
Disposals	—	(347)	(836)	(817)	(2,000)
Disposal of subsidiaries	—	(27)	—	—	(27)
Surplus arising on revaluation	(930)	—	—	—	(930)
At 31 March 2002	66,000	12,348	15,512	16,996	110,856
Comprising:					
At cost	—	12,348	15,512	16,996	44,856
At valuation — 2002	66,000	—	—	—	66,000
	66,000	12,348	15,512	16,996	110,856
DEPRECIATION AND AMORTISATION					
At 1 April 2001	—	6,839	6,252	5,645	18,736
Currency realignment	73	19	86	93	271
Provided for the year	1,507	2,016	2,695	1,180	7,398
Eliminated on disposals	—	(204)	(524)	(318)	(1,046)
Eliminated on disposal of subsidiaries	—	(6)	—	—	(6)
Eliminated on revaluation	(1,580)	—	—	—	(1,580)
At 31 March 2002	—	8,664	8,509	6,600	23,773
NET BOOK VALUES					
At 31 March 2002	66,000	3,684	7,003	10,396	87,083
At 31 March 2001	66,300	4,058	8,518	11,731	90,607

Notes to the Financial Statements

For The Year Ended 31 March 2002

16. Property, Plant And Equipment *(Continued)*

	Furniture, fixtures and equipment <i>HK\$'000</i>
THE COMPANY	
COST	
At 1 April 2001	230
Additions	854
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At 31 March 2002	1,084
DEPRECIATION	
At 1 April 2001	129
Provided for the year	96
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At 31 March 2002	225
NET BOOK VALUES	
At 31 March 2002	859
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At 31 March 2001	101
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The Group's leasehold properties were held outside Hong Kong under medium term leases.

The valuation of leasehold properties as at 31 March 2002 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 2002 would have been stated at approximately HK\$31,635,000 (2001: HK\$31,820,000).

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17. Interest In Subsidiaries

	THE COMPANY	
	2002 HK\$'000	2001 HK\$'000
Unlisted shares	129,498	129,498
Amounts due from subsidiaries	726,792	508,552
	856,290	638,050
Less: Impairment losses recognised <i>(Note)</i>	(610,800)	(519,800)
	245,490	118,250

Note: The Group has reviewed the carrying amounts of interest in subsidiaries and identified that the estimated discounted net future cash flows from certain subsidiaries which are estimated using market borrowing rates (the "Recoverable Amounts") are less than the carrying amounts. Accordingly, the carrying amounts of these subsidiaries have been reduced to their respective Recoverable Amounts.

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 2002 are set out in note 41.

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18. Interest In Associates

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Share of net (liabilities) assets	(1,152)	3,924	—	—
Unamortised goodwill	189,031	—	—	—
Amount due from an associate	36,443	11,817	8,121	3,740
	224,322	15,741	8,121	3,740
Less: Impairment loss recognised	(11,817)	(11,817)	(3,740)	(3,740)
	212,505	3,924	4,381	—

The movement of unamortised goodwill are analysed as follows:

	THE GROUP HK\$'000
COST	
Arising on acquisition during the year and at 31 March 2002	195,155
AMORTISATION	
Provided for the year and at 31 March 2002	6,124
NET BOOK VALUE	
At 31 March 2002	189,031

The amortisation period adopted for goodwill is 10 years.

Notes to the Financial Statements

For The Year Ended 31 March 2002

18. Interest In Associates (Continued)

Details of the associates held by the Group at 31 March 2002 are as follows:

Name of company	Place of incorporation/ registration	Attributable interest held by the Group	Principal activity
北京東訊網耀科技有限公司 Beijing Eastern Sapharm Technology Co., Ltd. ("Beijing Eastern")	PRC	18%	Provision of technical support services for continuing education services and professional training and other related services in the sector of pharmacy in the PRC
北京沃和賽騰網絡技術有限公司 Beijing Worthope Sathen Network Technology Co. Ltd. ("Beijing Worthope")	PRC	36.29%	Provision of technical support services for the continuing education services and professional training and other related services to medical practitioners in the PRC
Independent Islands Limited ("Independent Islands") (Note (b))	British Virgin Islands	45%	Investment holding
Oriental Express Development Limited ("Oriental Express") (Note a))	Hong Kong	20%	Investment holding
肇慶永進貨運有限公司 Zhaoqing Wing Jin Transportation Co., Ltd. ("ZWJT")	PRC	50%	Inactive
北京維美科技開發有限公司	PRC	50%	Inactive

Notes to the Financial Statements

For The Year Ended 31 March 2002

18. Interest In Associates *(Continued)*

Notes:

- (a) On 5 June 2001, the Group entered into a formal agreement in connection with the acquisition of an interest in Oriental Express, together with the assignment of loan by Huge Victory Limited ("Vendor") to the Group, and the assignment of option to acquire 1,000,000 Oriental Express shares to the Group.

Subsequently on 12 July 2001, the Group entered into a supplemental agreement with the Vendor to amend certain terms and conditions of the formal agreement. Pursuant to the supplemental agreement, the Group would acquire a 20 per cent of the entire issued share capital of Oriental Express ("Vendor Shares"), together with the assignment of approximately 31.5% of the loan by the Vendor to the Group ("Vendor 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 Vendor Shares and the Vendor 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 (see note 20).

On 21 September 2001, the Group completed its acquisition of the 20% interest in Oriental Express and its subsidiary, Beijing Eastern.

- (b) On 23 November 2001, the Group entered into a formal agreement in connection with the acquisition of a 45% interest ("Sale Shares") in Independent Islands, together with the outstanding loan ("Sale Loan") due from Independent Islands to Famous Islands Limited. The consideration for the Sale Shares in the amount of HK\$169,058,378 was then satisfied in the following manner:

- a. as to HK\$99,278,378 was paid in cash to Famous Islands Limited on completion;
- b. as to HK\$3,000,000 to be set off against the deposit paid during the year; 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 was the sum of HK\$1 payable in cash by the Group to Famous Islands Limited at completion.

On 17 January 2002, the Group completed its acquisition of the 45% interest in Independent Islands and its subsidiary, Beijing Worthope.

Notes to the Financial Statements

For The Year Ended 31 March 2002

19. Loans Receivable

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
The amounts comprise:				
Loans receivable	16,522	4,621	11,901	—
Less: Allowance for bad debt	(4,065)	—	—	—
	12,457	4,621	11,901	—
Amount shown under non-current assets <i>(Note (a))</i>				
	556	4,621	—	—
Amounts shown under current assets <i>(Note (b))</i>				
	11,901	—	11,901	—
	12,457	4,621	11,901	—

Notes:

- (a) The amount is advanced to the joint venture partner of one of the Company's associate, ZWJT, and has no fixed repayment term. According to the loan agreement, the interest of the loan is chargeable at 10% per annum. 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.
- (b) The amounts are advanced to certain joint venture partners of the Company's associates, Independent Islands and Oriental Express. The amounts are unsecured, non-interest bearing and repayable on demand.

Notes to the Financial Statements

For The Year Ended 31 March 2002

20. Deposits Paid For Potential Investments

	THE GROUP AND THE COMPANY	
	2002	2001
	HK\$'000	HK\$'000
Deposits paid for potential investments	41,000	48,140
Less: Deposit to be applied as partial consideration in respect of conditional agreements entered into subsequent to 31 March 2001, and shown as non-current assets, for the acquisition of a long distance professional educational services company (Note 18(a))	—	(10,140)
Deposits shown as current assets	41,000	38,000

As at 31 March 2002, the deposits included an amount of HK\$20 million to be recoverable from One Network Investments Limited ("One Network") (Note (a)) and an amount of HK\$21 million to be refundable from Turnmile (Overseas) Limited (note (b)) respectively.

Notes:

- (a) On 16 June 2000, the Company entered into a conditional agreement ("Agreement") with 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.

Notes to the Financial Statements

For The Year Ended 31 March 2002

20. Deposits Paid For Potential Investments *(Continued)*

(a) *(Continued)*

On 19 February 2001, the Company issued a writ of summons under High Court Action No. 798 of 2002 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. On 10 August 2001, a Second Further and Better Particulars of Statement of Claim has been filed.

The Group strongly disputes the above claim and the parties have been in discussions on a without prejudice basis to settle the matter during the year and subsequent to the balance sheet date. In the opinion of the directors, the outstanding balance of the deposit should be recoverable in full.

- (b) During the year ended 31 March 2002, the Group paid deposit of HK\$21 million in aggregate to Turnmile (Overseas) Limited with the intention of acquiring its telecommunications business. This proposed transaction was subsequently cancelled and the deposit was partially refunded after the balance sheet date amounting to HK\$12.7 million. In the opinion of the directors, the remaining balance of the deposit should be recoverable in full.

Notes to the Financial Statements

For The Year Ended 31 March 2002

21. Prepaid Rentals

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
COST		
At beginning of the year	13,168	17,589
Write-off	(13,168)	(4,421)
At end of the year	—	13,168
AMORTISATION		
At beginning of the year	6,876	8,250
Provided for the year	1,295	1,579
Eliminated on write-off	(8,171)	(2,953)
At end of the year	—	6,876
NET BOOK VALUE		
At end of the year	—	6,292

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.

During the year ended 31 March 2002, the Group has ceased to use the vessels for cost efficiency purpose and the remaining unamortised prepaid rentals in respect of vessels were fully written off accordingly.

Notes to the Financial Statements

For The Year Ended 31 March 2002

22. Debtors, Deposits And Prepayments

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

At 31 March 2002, the balance of debtors, deposits and prepayments included trade debtors of HK\$6,053,000 (2001: HK\$8,898,000). The aged analysis of trade debtors at the reporting dates are as follows:

	2002	2001
	HK\$'000	HK\$'000
0 — 60 days	4,510	7,614
61 — 90 days	714	765
91 — 180 days	135	323
181 — 365 days	488	118
Over 1 year	206	78
	<hr/> 6,053	<hr/> 8,898

23. Investments In Securities

Other investments

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Equity securities listed in Hong Kong	—	19,278
	<hr/>	<hr/>
Market value	—	19,278

Notes to the Financial Statements

For The Year Ended 31 March 2002

24. Creditors And Accrued Charges

At 31 March 2002, the balance of creditors and accrued charges included trade creditors of HK\$2,554,000 (2001: HK\$4,872,000). The aged analysis of the trade creditors at the reporting dates is as follows:

	2002	2001
	HK\$'000	HK\$'000
0 — 60 days	2,267	4,016
91 — 180 days	3	352
181 — 365 days	—	46
Over 1 year	284	458
	2,554	4,872

25. Loan From A Director

THE GROUP AND THE COMPANY

The loan is advanced by Mr. Hon Ming Kong and is unsecured, interest free and repayable on demand.

Notes to the Financial Statements

For The Year Ended 31 March 2002

26. Share Capital

	Number of shares	Issued and full paid share capital HK\$'000
Shares of HK\$0.10 each:		
Authorised		
At 1 April 2001 and 31 March 2002	3,000,000,000	300,000
Issued and fully paid:		
Balance at 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)
Balance at 31 March 2001 and 1 April 2001	1,162,344,315	116,234
Issue of shares:		
— upon exercise of share options under a share option scheme	10,397,000	1,040
— as the partial consideration for the acquisition of 45% of the issued share capital of Independent Islands	140,000,000	14,000
— by placements	208,800,000	20,880
Balance at 31 March 2002	1,521,541,315	152,154

Notes to the Financial Statements

For The Year Ended 31 March 2002

26. Share Capital *(Continued)*

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

- (a) On 23 November 2001, the Company entered into a formal agreement in connection with the acquisition of a 45% interest in Independent Islands, together with the outstanding loan due from Independent Islands to Famous Islands Limited. The consideration for the Sale Shares comprises an amount of HK\$66,780,000 by the allotment and issue of 140,000,000 new shares of the Company at an issue price of HK\$0.477 per share at completion (see note 18(b)).
- (b) On 23 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 represented 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\$97.4 million will be applied entirely in settling part of the cash consideration for the acquisition of Independent Islands (see note 18(b)).
- (c) During the year ended 31 March 2001, the Company repurchased 8,990,000 own shares on The Stock Exchange of Hong Kong Limited as an aggregate consideration of approximately HK\$3,909,000.

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

Notes to the Financial Statements

For The Year Ended 31 March 2002

27. Warrants

During the year, warrants carrying subscription rights of HK\$105,900,000 at subscription price of HK\$0.58 per share (adjusted) were expired.

On 5 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 31 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 5 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.

At 31 March 2002, warrants carrying subscriptions rights of HK\$117,000,000 remain outstanding.

28. Share Options

- (a) Pursuant to 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.

Notes to the Financial Statements

For The Year Ended 31 March 2002

28. Share Options *(Continued)*

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	
	2002	2001
Balance at beginning of the year	30,477,000	25,744,000
Granted during the year	20,000,000	19,500,000
Exercised during the year	(10,397,000)	(1,331,000)
Lapsed upon termination of employment of employees	(1,580,000)	(13,436,000)
Balance at end of the year	38,500,000	30,477,000

The balance of outstanding options as at 31 March 2002 and 31 March 2001 comprises:

Exercise period	Exercise price HK\$	Number of options shares	
		2002	2001
1.4.1999 — 31.3.2002	0.10	—	977,000
9.9.1999 — 8.9.2002	0.85	8,500,000	10,000,000
2.2.2001 — 1.2.2011	0.33	10,000,000	19,500,000
19.10.2001 — 18.10.2011	0.435	16,000,000	—
17.12.2001 — 16.12.2011	0.64	4,000,000	—
		38,500,000	30,477,000

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

Notes to the Financial Statements

For The Year Ended 31 March 2002

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 placees under the share placement. The share options were transferable and were 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 ended 31 March 2001 was as follows:

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

Notes to the Financial Statements

For The Year Ended 31 March 2002

29. Reserves

	Share premium HK\$'000	Other property revaluation reserve HK\$'000	Translation reserve HK\$'000	Negative goodwill reserve HK\$'000	Goodwill reserve HK\$'000	Capital redemption reserve HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
THE GROUP									
At 1 April 2000	480,937	33,618	887	26,795	—	1,190	23,322	(398,469)	168,280
Reclassifications	—	—	—	519	(56,955)	—	—	56,436	—
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
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)
Reserves realised upon disposal of subsidiaries	—	—	—	—	72	—	—	—	72
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)

Notes to the Financial Statements

For The Year Ended 31 March 2002

29. Reserves (Continued)

	Share premium HK\$'000	Other property revaluation reserve HK\$'000	Translation reserve HK\$'000	Negative goodwill reserve HK\$'000	Goodwill reserve HK\$'000	Capital redemption reserve HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 31 March 2001 and 1 April 2001	484,307	36,143	(295)	27,314	(1,843)	1,190	23,322	(472,354)	97,784
Premium arising from issue of shares:									
– new issues by placements	78,718	–	–	–	–	–	–	–	78,718
– new issue as consideration shares	52,780	–	–	–	–	–	–	–	52,780
– upon exercise of share options	2,185	–	–	–	–	–	–	–	2,185
Expenses in connection with the new issue of shares	(2,165)	–	–	–	–	–	–	–	(2,165)
Surplus on revaluation of other properties	–	650	–	–	–	–	–	–	650
Share of movement of reserve of associates	–	–	68	–	–	–	–	–	68
Exchange difference arising on translation of operations outside Hong Kong	–	–	804	–	–	–	–	–	804
Reserve realised upon expiry of warrants	–	–	–	–	–	–	(23,322)	–	(23,322)
Reserve arising from placing of warrants	–	–	–	–	–	–	35,100	–	35,100
Expenses in connection with the placing of warrants	–	–	–	–	–	–	(1,708)	–	(1,708)
Net loss for the year	–	–	–	–	–	–	–	(47,188)	(47,188)
At 31 March 2002	615,825	36,793	577	27,314	(1,843)	1,190	33,392	(519,542)	193,706
Attributable to:									
The Company and its subsidiaries	615,825	36,793	573	27,314	(1,843)	1,190	33,392	(513,030)	200,214
Associates	–	–	4	–	–	–	–	(6,512)	(6,508)
	615,825	36,793	577	27,314	(1,843)	1,190	33,392	(519,542)	193,706

Notes to the Financial Statements

For The Year Ended 31 March 2002

29. Reserves (Continued)

	Share premium HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
THE COMPANY						
At 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 14)	—	—	—	—	(93,800)	(93,800)
At 31 March 2001 and 1 April 2001	484,307	129,298	1,190	23,322	(563,833)	74,284
Premium arising from issue of shares:						
— new issues by placement	78,718	—	—	—	—	78,718
— new issue as consideration shares	52,780	—	—	—	—	52,780
— upon exercise of share options	2,185	—	—	—	—	2,185
Expenses in connection with the issue of shares	(2,165)	—	—	—	—	(2,165)
Reserve realised upon expiry of warrants	—	—	—	(23,322)	—	(23,322)
Reserve arising from placing of warrants	—	—	—	35,100	—	35,100
Expenses in connection with the placing of warrants	—	—	—	(1,708)	—	(1,708)
Net loss for the year (note 14)	—	—	—	—	(89,564)	(89,564)
At 31 March 2002	615,825	129,298	1,190	33,392	(653,397)	126,308

Notes to the Financial Statements

For The Year Ended 31 March 2002

29. Reserves *(Continued)*

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.

Notes to the Financial Statements

For The Year Ended 31 March 2002

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\$738,000 (2001: HK\$6,133,000) 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	
	2002	2001
	HK\$'000	HK\$'000
Tax effect of timing differences attributable to:		
Taxation losses available to relieve future assessable profit	13,242	14,234
Excess of depreciation allowances claimed for tax purposes over depreciation charged in the financial statements	(270)	(524)
	12,972	13,710

In the opinion of the directors, the Group has no intention of disposing of its properties situated outside Hong Kong in the foreseeable future. Accordingly, deferred taxation has not been provided on the revaluation surplus of the Group's property interest.

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

Notes to the Financial Statements

For The Year Ended 31 March 2002

31. Reconciliation Of Loss From Ordinary Activities Before Taxation To Net Cash Inflow (Outflow) From Operating Activities

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Loss from ordinary activities before taxation	(47,457)	(130,494)
Share of results of associates	5,144	1,106
Depreciation and amortisation of property, plant and equipment	7,398	12,145
Amortisation of prepaid rentals	1,295	1,579
Allowances for loan receivable from a joint venture partner of an associate	4,065	—
Amortisation of goodwill	6,124	—
Reserve realised upon expiry of warrants	(23,322)	—
Interest on bank and other borrowings	—	331
Loss on disposal of property, plant and equipment	488	22
Loss on write-off of property, plant and equipment	—	4,259
Prepaid rentals written off	4,997	1,468
Interest income	(132)	(3,566)
Dividend income	—	(79)
Impairment losses recognised in relation to an associate	—	66,857
Loss on disposal of subsidiaries	225	1,739
Unrealised holding loss on other investments	—	4,641
Allowances for bad and doubtful debts	407	4,942
Decrease in amount due from a related party	—	2,249
Decrease (increase) in other investments	19,278	(8,953)
Decrease (increase) in debtors, deposits and prepayments	31,617	(19,066)
Decrease in deposit paid for purchase of trading inventories	9,050	—
Decrease in creditors and accrued charges	(3,546)	(22,051)
Increase in amount due to an associate	887	33
Net cash inflow (outflow) from operating activities	16,518	(82,838)

Notes to the Financial Statements

For The Year Ended 31 March 2002

32. Disposal Of Subsidiaries

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Net liabilities disposed of:		
Property, plant and equipment	21	523
Debtors, deposits and prepayments	9	16,408
Bank balances and cash	695	1,302
Creditors and accrued charges	(499)	(10,066)
Intercompany debts	—	(278,616)
	226	(270,449)
Goodwill realised	—	72
Loss on disposal of subsidiaries	(225)	(1,739)
Assignment/waiver of intercompany indebtedness	—	278,616
	1	6,500
Satisfied by:		
Cash consideration	1	1,950
Consideration receivable included under debtors, deposits and prepayments	—	4,550
	1	6,500
Analysis of net (outflow) inflow of cash and cash equivalents in connection with the disposal of subsidiaries:		
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Cash consideration	1	1,950
Bank balance and cash disposed of	(695)	(1,302)
	(694)	648

Notes to the Financial Statements

For The Year Ended 31 March 2002

32. Disposal Of Subsidiaries *(Continued)*

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

The subsidiaries disposed of in 2001 contributed approximately HK\$7,556,000 from 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.

The subsidiaries disposed of in 2001 contributed approximately HK\$57,455,000 to the Group's turnover and approximately HK\$4,804,000 to the Group's loss from operations.

33. Analysis Of Changes In Financing During The Year

	Share capital including premium and other reserve <i>HK\$'000</i>	Loan from a director <i>HK\$'000</i>
Balance at 1 April 2000	620,259	77
Proceeds from issue of shares, net of nil expenses	7,513	—
Repurchase of own shares	(3,909)	—
Repayment during the year	—	(77)
Balance at 31 March 2001 and 1 April 2001	623,863	—
Proceeds from issue of shares, net of expenses of HK\$2,165,000	100,658	—
Issue of consideration shares (note 34)	66,780	—
Proceeds from issue of warrants, net of expenses of HK\$1,708,000	33,392	—
Reserve realised upon expiry of warrants	(23,322)	—
Advance during the year	—	267
Balance at 31 March 2002	801,371	267

Notes to the Financial Statements

For The Year Ended 31 March 2002

34. Major Non-Cash Transaction

During the year ended 31 March 2002, the Company issued 140,000,000 shares as the partial consideration of HK\$66,780,000 in value for the acquisition of a 45% interest in an associate.

35. Pledge Of Assets

At 31 March 2002, the Group pledged certain assets with the following approximate net book values to secure the general banking facilities granted to the Group:

	2002	2001
	HK\$'000	HK\$'000
Bank deposits	—	2,069

36. Related Party Transactions

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

Notes to the Financial Statements

For The Year Ended 31 March 2002

37. Contingent Liabilities And Litigations

- (a) On 29 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 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 (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 8 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".
- (b) On 22 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 (a) 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.

Notes to the Financial Statements

For The Year Ended 31 March 2002

37. Contingent Liabilities And Litigations *(Continued)*

- (c) 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. 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 (a) 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.
- (d) 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 28 June 2001 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 (a) 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.

Notes to the Financial Statements

For The Year Ended 31 March 2002

38. Capital Commitments

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Capital expenditure contracted for unpaid capital contribution to an associate	5,584	—
Capital expenditure contracted for property, plant and equipment but not provided in the financial statements	—	126
	5,584	126

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 and the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Office premises				
Within one year	2,094	1,619	1,657	—
In the second to fifth years inclusive	3,398	—	2,762	—
	5,492	1,619	4,419	—
Vessels				
Within one year	609	—	—	—
	6,101	1,619	4,419	—

Operating lease payments represent rentals payable by the Group for certain of its office properties and vessels. Leases of office premises are negotiated for an average term of 3 years and rentals are fixed for an average of 3 years. Leases of vessels are negotiated and fixed at quarterly basis.

Notes to the Financial Statements

For The Year Ended 31 March 2002

40. Retirement Benefits Scheme

Hong Kong

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”).

In order to comply with MPFO, a Mandatory Provident Fund Scheme (“MPF Scheme”) with voluntary contributions has been established. 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 schemes 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 (2001: nil).

Mainland China

The Group also participates in a defined contribution retirement scheme organised by the government in Mainland China. All employees of the Group in Mainland China are entitled to an annual pension equal to a fixed portion of their individual final basic salaries at their retirement date. The Group is required to contribute a specified percentage of the payroll of its employees to the retirement scheme. The total contribution incurred in connection with the scheme for the year ended 31 March 2002 was approximately HK\$152,000 (2001: HK\$225,000). No forfeited contributions may be used by the employers to reduce the existing level of contributions.

Notes to the Financial Statements

For The Year Ended 31 March 2002

41. Principal Subsidiaries

Details of the Company's principal subsidiaries at 31 March 2002 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
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%	Provision of management services
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

Notes to the Financial Statements

For The Year Ended 31 March 2002

41. Principal Subsidiaries (Continued)

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

* 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.