

Despite the Scheme of Arrangement took effect on 28 April 2000, the Group's operations were clouded by litigations against the Company and its subsidiaries. Valuable resources have been deployed in defending the litigations in the interest of the Company and its shareholders and the progress in the realizations of certain Scheme Assets unavoidably hindered.

LITIGATIONS

Although more details of the following litigations have been included in the Company's previous announcements and in note 2 to the financial statements in this Annual Report, it would be worth to lay down here a brief update for your information.

1. The Court of Final Appeal dismissed the legal proceedings initiated by 7 ex-employees against the sanctioning of the Scheme on 3 December 2001. As such, the legal basis of the Scheme is further confirmed by the judgment of the Court of Final Appeal.
2. Two minority shareholders, holding 20,000 shares and 6,000 shares in the Company since May 2001 and December 2001 respectively, lodged on 16 May 2002 a Section 111 Petition with the Supreme Court of Bermuda against the Company primarily in respect of the subscription of shares in the Company by Harbour Front Limited ("Harbour Front") on 18 May 2001.
3. Fonfair Company Limited ("Fonfair"), currently controlled by an ex-director of the Company, obtained a judgment under a High Court Action against a subsidiary of the Company with arrears of rent. Fonfair is owned as to approximately 33.33% by Harbour Front and remaining 66.67% by Money Facts Limited ("Money Facts"), which is owned as to 50% by Harbour Front. For avoidance of doubt, the disputes between shareholders of Fonfair had become sufficiently serious that Harbour Front has petitioned winding-up of Fonfair and of Money Facts, both on "just and equitable" basis.

Save for the legal costs and expenses to which the Company is exposed to, the directors do not consider that there will be any adverse impact on the Company's operations.

RESULTS OF THE YEAR

As the local and the regional markets have yet to be recovered and our feet were dragged by the futile legal proceedings, operating results were unavoidably impacted. For the year ended 31 July 2002, the Group recorded a net loss of HK\$76 million, comprising operating loss of HK\$65 million as a result of relatively high operating gearing and low turnover, provisions of HK\$26 million for the impairment in value of vessels as to reflect their reduced in-use value estimates down to net selling price and provisions of HK\$22 million for the problematic in-dispute receivables.

PROSPECTS

Looking ahead, given its worse liquidity position, it is highly uncertain as to whether the Group can safeguard its businesses, which depends on the forbearance required from its bank creditors, outcome of the Group's negotiations and discussions with the secured lenders to restructure the outstanding secured loans and the progress of economic recovery in the Region. The Company is implementing a Rights Issue to raise net proceeds of approximately HK\$6,600,000. Should debt restructuring negotiations with the secured lenders not succeed, and the Rights Issue fail to complete, the Group would not have adequate funds to enable it to operate as a going concern in the foreseeable future.

We do not have the crystal ball for the future, but with the continuous support of you – our shareholders, bank creditors, customers, suppliers and staff members, we will do everything we can to steer the Group back on a right track.

Leung Yu Oi Ling, Irene

Chairman

Hong Kong

29 November 2002