

INTERIM REPORT 2002/03

Enter



Oriental Union Holdings Limited

東聯控股有限公司

(Incorporated in Bermuda with limited liability)

FINANCIAL HIGHLIGHTS

- Turnover has decreased by approximately 55.35% to approximately HK\$21,746,000 compared with turnover in the amount of HK\$48,701,000 recorded for the corresponding period last year.
- Loss attributable to shareholders has increased by approximately 1,003.17% to HK\$53,592,000 from HK\$4,858,000 for the corresponding period last year.
- The Group's net asset value as at 30th September, 2002 was HK\$292,830,000.
- The Group has continued its strategy of streamlining its current business operations while at the same time exploring opportunities for investing in investments with high growth potential in order to broaden the income base and to enhance shareholders' value.

INTERIM RESULTS

The board of directors (the “Board”) of Oriental Union Holdings Limited (the “Company”) announces that the unaudited results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2002 together with comparative figures for the corresponding period in 2001 are as follows:–

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September, 2002

		Unaudited Six months ended 30th September,	
	Notes	2002 HK\$'000	2001 HK\$'000
Turnover		21,746	48,701
Direct operating costs		(19,065)	(20,464)
Cost of sales		–	(19,277)
		<u>2,681</u>	<u>8,960</u>
Other operating income		31	217
Administrative expenses		(25,291)	(37,047)
Allowance for doubtful debt	12	(20,000)	–
Loss from operations	4	(42,579)	(27,870)
Finance costs		–	(4)
Share of results of associates		(1,343)	(170)
Amortisation of goodwill		(9,758)	–
Loss on disposal of a subsidiary		–	(225)
Reserve realised upon expiry of warrants	5	–	23,322
Loss from ordinary activities before taxation		(53,680)	(4,947)
Taxation	6	–	–
Loss before minority interests		(53,680)	(4,947)
Minority interests		88	89
Net loss for the period		<u>(53,592)</u>	<u>(4,858)</u>
Loss per share – basic	7	<u>(3.5) cents</u>	<u>(0.4) cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th September, 2002

	Notes	Unaudited At 30th September, 2002 HK\$'000	Audited At 31st March, 2002 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	8	83,059	87,083
Interest in associates	9	202,405	212,505
Loans receivable	10	556	556
		<u>286,020</u>	<u>300,144</u>
Current assets			
Debtors, deposits and prepayments	11	9,782	13,572
Deposits paid for potential investments	12	7,170	41,000
Deposit paid for purchase of trading inventories		–	450
Loans receivable	10	13,902	11,901
Bank balances and cash		4,685	4,617
		<u>35,539</u>	<u>71,540</u>
Current liabilities			
Creditors and accrued charges	13	20,080	17,053
Amount due to an associate		1,078	1,112
Loan from a director		267	267
		<u>21,425</u>	<u>18,432</u>
Net current assets		<u>14,114</u>	<u>53,108</u>
Total assets less current liabilities		<u>300,134</u>	<u>353,252</u>
Minority interests		<u>7,304</u>	<u>7,392</u>
Net assets		<u>292,830</u>	<u>345,860</u>
CAPITAL AND RESERVES			
Share capital		152,154	152,154
Reserves		140,676	193,706
Shareholders' funds		<u>292,830</u>	<u>345,860</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2002

	Share capital HK\$'000	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
For the year ended 31st March, 2002:										
At 1st April, 2001	116,234	484,307	36,143	(295)	27,314	(1,843)	1,190	23,322	(472,354)	214,018
Surplus on revaluation of other properties	-	-	650	-	-	-	-	-	-	650
Exchange difference arising on translation of operations outside Hong Kong	-	-	-	804	-	-	-	-	-	804
Share of movement of reserve of associates	-	-	-	68	-	-	-	-	-	68
Net gains not recognised in the income statement	-	-	650	872	-	-	-	-	-	1,522
	116,234	484,307	36,793	577	27,314	(1,843)	1,190	23,322	(472,354)	215,540
Issue of shares:										
- by placements	20,880	78,718	-	-	-	-	-	-	-	99,598
- as consideration shares	14,000	52,780	-	-	-	-	-	-	-	66,780
- upon exercise of share options	1,040	2,185	-	-	-	-	-	-	-	3,225
Expenses in connection with the new 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	-	-	-	-	-	-	-	-	(47,188)	(47,188)
At 31st March, 2002	152,154	615,825	36,793	577	27,314	(1,843)	1,190	33,392	(519,542)	345,860
For the six months ended 30th September, 2002:										
At 1st April, 2002	152,154	615,825	36,793	577	27,314	(1,843)	1,190	33,392	(519,542)	345,860
Exchange difference arising on translation of operations outside Hong Kong	-	-	-	539	-	-	-	-	-	539
Share of movement of reserve of associates	-	-	-	23	-	-	-	-	-	23
Net gains not recognised in the income statement	-	-	-	562	-	-	-	-	-	562
	152,154	615,825	36,793	1,139	27,314	(1,843)	1,190	33,392	(519,542)	346,422
Net loss for the period	-	-	-	-	-	-	-	-	(53,592)	(53,592)
At 30th September, 2002	152,154	615,825	36,793	1,139	27,314	(1,843)	1,190	33,392	(573,134)	292,830
For the six months ended 30th September, 2001:										
At 1st April, 2001	116,234	484,307	36,143	(295)	27,314	(1,843)	1,190	23,322	(472,354)	214,018
Exchange differences arising on translation of operations outside Hong Kong	-	-	-	1,507	-	-	-	-	-	1,507
Share of movement of reserve of associates	-	-	-	150	-	-	-	-	-	150
Net gains not recognised in the income statement	-	-	-	1,657	-	-	-	-	-	1,657
	116,234	484,307	36,143	1,362	27,314	(1,843)	1,190	23,322	(472,354)	215,675
Issue of shares upon exercise of share options	1,040	2,185	-	-	-	-	-	-	-	3,225
Reserve released upon expiry of warrants	-	-	-	-	-	-	-	(23,322)	-	(23,322)
Net loss for the period	-	-	-	-	-	-	-	-	(4,858)	(4,858)
At 30th September, 2001	117,274	486,492	36,143	1,362	27,314	(1,843)	1,190	-	(477,212)	190,720

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September, 2002

	Unaudited Six months ended 30th September,	
	2002 HK\$'000	2001 HK\$'000
NET CASH USED IN OPERATING ACTIVITIES	(10,538)	(2,376)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	10,606	(9,046)
NET CASH FROM FINANCING	—	3,225
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	68	(8,197)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	4,617	10,464
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	—	163
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	4,685	2,430

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2002

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.

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, 2002, except as described below.

In the current period, 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, which has resulted in the adoption of the following revised accounting policies.

The adoption of these SSAPs has resulted in changes in the format of presentation of the cash flow statement and the inclusion of a statement of changes in equity in lieu of the statement of recognised gains and losses, but has had no significant effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

Foreign currencies

The revisions to SSAP 11 “Foreign Currencies Translation” have eliminated the choice of translating the income statements of operations outside Hong Kong at the closing rate for the period. They are now required to be translated at an average rate. Accordingly, on consolidation, the assets and liabilities of the Group’s operations outside Hong Kong are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group’s translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operations outside Hong Kong are disposed of. This change in accounting policy has not had any significant effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

Cash flow statements

In the current period, the Group has adopted SSAP 15 (Revised) “Cash Flow Statements”. Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under a separate heading, are classified as operating, investing or financing cash flows, where applicable. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities.

3. SEGMENT INFORMATION

The Group’s turnover and contribution to loss from operations analysed by principal activity is as follows:

For management purposes, the Group is currently organised into the following operating divisions – freight forwarding and vessel operating common carrier services, operation of container depots and logistics management services, and strategic investments and others. For the six months ended 30th September, 2001, the Group also had securities trading business. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses for the six months ended 30th September, 2002 is presented below:

	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 six months ended 30th September, 2002					
Turnover	13,699	-	8,047	-	21,746
Segment results	(171)	-	(3,619)	(20,000)	(23,790)
Interest income					31
Group overheads					(15,132)
Corporate finance overheads					(3,688)
Loss from operations					(42,579)
Share of results of associates	(284)	-	-	(1,059)	(1,343)
Amortisation of goodwill	-	-	-	(9,758)	(9,758)
Loss from ordinary activities before taxation					(53,680)
For the six months ended 30th September, 2001					
Turnover	16,175	22,380	10,146	-	48,701
Segment results	(1,385)	3,011	(10)	-	1,616
Interest income					75
Group overheads					(19,514)
Corporate finance overheads					(10,047)
Loss from operations					(27,870)
Finance costs					(4)
Share of results of associates	(170)	-	-	-	(170)
Loss on disposal of a subsidiary	(225)	-	-	-	(225)
Reserve realised upon expiry of warrants					23,322
Loss from ordinary activities before taxation					(4,947)

4. LOSS FROM OPERATIONS

	Six months ended 30th September,	
	2002 HK\$'000	2001 HK\$'000
Loss from operations has been arrived at after charging:		
Amortisation of prepaid rentals	–	648
Depreciation and amortisation on property, plant and equipment	3,279	4,180
Loss on write-off of property, plant and equipment	1,056	–
Loss on disposal of property, plant and equipment	439	317
	<u>439</u>	<u>317</u>

5. 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 for the six months ended 30th September, 2001.

6. 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 both periods.

7. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the period of HK\$53,592,000 (six months ended 30th September, 2001: HK\$4,858,000) and on the 1,521,541,000 shares (six months ended 30th September, 2001: weighted average number of 1,173,284,000 shares) in issue during the period.

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

8. PROPERTY, PLANT AND EQUIPMENT

	HK\$'000
Net book value at 31st March, 2002	87,083
Currency realignment	539
Additions	211
Write-off	(1,056)
Disposals	(439)
Depreciation	(3,279)
Net book value at 30th September, 2002	83,059

9. INTEREST IN ASSOCIATES

	At 30th September, 2002 HK\$'000	At 31st March, 2002 HK\$'000
Share of net liabilities	(2,472)	(1,152)
Unamortised goodwill	179,273	189,031
Amounts due from associates	37,421	36,443
	<u>214,222</u>	<u>224,322</u>
Less: Impairment loss recognised	(11,817)	(11,817)
	<u>202,405</u>	<u>212,505</u>

10. LOANS RECEIVABLE

	At 30th September, 2002 HK\$'000	At 31st March, 2002 HK\$'000
The amounts comprise:		
Loans receivable	18,523	16,522
Less: Allowance for doubtful debt	(4,065)	(4,065)
	<u>14,458</u>	<u>12,457</u>
Amount shown under non-current assets (note a)	556	556
Amounts shown under current assets (note b)	<u>13,902</u>	<u>11,901</u>
	<u>14,458</u>	<u>12,457</u>

Notes:

- (a) The amount is advanced to the joint venture partner of one of the Company's associate, 肇慶永進貨運有限公司 Zhaoqing Wing Jin Transportation Co., Ltd. ("ZWJT"), and has no fixed repayment term. According to the loan agreement, the interest on 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 Limited and Oriental Express Development Limited. The amounts are unsecured, non-interest bearing and repayable on demand.

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, 2002, the balance of debtors, deposits and prepayments included trade debtors of HK\$6,856,000 (31st March, 2002: HK\$6,053,000). The aged analysis of trade debtors at the reporting dates is as follows:

	At 30th September, 2002 HK\$'000	At 31st March, 2002 HK\$'000
0 – 60 days	4,012	4,510
61 – 90 days	1,884	714
91 – 180 days	707	135
181 days – 1 year	218	488
Over 1 year	35	206
	<u>6,856</u>	<u>6,053</u>

12. DEPOSITS PAID FOR POTENTIAL INVESTMENTS

	At 30th September, 2002 HK\$'000	At 31st March, 2002 HK\$'000
Deposits paid for potential investments and to be recoverable/refundable from:		
– One Network Investments Limited ("One Network")	20,000	20,000
– Turnmile (Overseas) Limited (note a)	7,170	21,000
	<u>27,170</u>	41,000
Less: Allowance for doubtful debt (note b)	(20,000)	–
	<u>7,170</u>	<u>41,000</u>

Notes:

- (a) During the year ended 31st 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 deposit amounting to approximately HK\$13.8 million was partially refunded during the period. In the opinion of the directors, the remaining balance of the deposit should be recoverable in full.
- (b) During the period, the Group continued to have discussions with One Network on a without prejudice basis to settle the outstanding deposit of HK\$20 million arising from termination of an agreement for acquisition of a telecommunications service provider between the parties. Up to the date of this report, the parties have not yet been able to reach any agreement on the settlement arrangement. In view of the uncertainty of the timing for the recovery of the outstanding deposit, the directors consider it is appropriate, at this stage, to make full allowance for the doubtful debt during this interim period.

However, the directors have still endeavoured to take necessary actions to recover, either in whole or in part, such deposits from time to time.

13. CREDITORS AND ACCRUED CHARGES

At 30th September, 2002, the balance of creditors and accrued charges included trade creditors of HK\$1,678,000 (31st March, 2002: HK\$2,554,000). The aged analysis of the trade creditors at the reporting dates is as follows:

	At 30th September, 2002 HK\$'000	At 31st March, 2002 HK\$'000
0 – 60 days	1,487	2,267
61 – 90 days	34	–
91 – 180 days	–	3
Over 1 year	157	284
	<u>1,678</u>	<u>2,554</u>

14. CONTINGENCIES AND COMMITMENTS

(a) *Litigations*

- (i) During the period, an action has been commenced in HCCL 18 of 2002 by Wedge Marine Limited against the Company (as 1st Defendant) and two other defendants for the sum of US\$408,347.90 and GBP106,877.66 together with interest and costs. The claim in that action is in connection with damages together with interest and cost previously claimed for the charter hire unpaid by a former subsidiary of the Company in which the Company was then claimed as having guaranteed the performance and payments of that former subsidiary. Having taken the legal advice, the directors strongly believe the Company has a reasonable chance of successfully resisting the claim by Wedge Marine Limited.
- (ii) 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. The case is currently being handled by the Company's legal advisers on admiralty case.
- (iii) 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 (ii) 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.

- (iv) 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 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 (ii) 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 interim financial report in connection with the claims.

(b) *Capital commitments*

	At 30th September, 2002 HK\$'000	At 31st March, 2002 HK\$'000
Capital expenditure contracted for unpaid capital contribution to an associate	<u>1,863</u>	<u>5,584</u>

15. POST BALANCE SHEET EVENT

On 26th November, 2002, the Company entered into a placing and underwriting agreement (“Placing Agreement”) with placing agent in connection with a placing of up to 300 million placing shares at a placing price of HK\$0.10 per placing share to independent investors on a best effort basis. The placing shares represent approximately 19.72% of the existing issued share capital of the Company; and approximately 16.47% of the share capital of the Company as enlarged by the issue of the placing shares. The net proceeds to be raised of approximately HK\$29 million will be used for the making of future investments if appropriate opportunity arises. In the event that no appropriate investment opportunity is identified by the Group, the net proceeds will be retained by the Group for general working capital purpose.

By the end of the placing period of the above-mentioned Placing Agreement, which is 24 December 2002, being the period from the date of the Placing Agreement up to the date falling twenty-eight days from the date of the Placing Agreement (the “Placing Period”), no subscribers for the placing shares have been procured by the placing agent.

On 30 December 2002, the Company entered into a supplemental agreement (the “Supplemental Agreement”) with the placing agent, pursuant to which the parties thereto agreed that the Placing Period shall be a period of fifty-three days from the date of the Placing Agreement, that is, from 26 November 2002 up to and including 17 January 2003 (both days inclusive). All the terms concluded under the Placing Agreement, other than those supplemented by the Supplemental Agreement, would remain in effect.

INTERIM DIVIDEND

The Directors have resolved not to declare any interim dividend for the six months ended 30th September, 2002 (2001: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30th September, 2002, the Group's turnover amounted to HK\$21,746,000 (six months ended 30th September, 2001: HK48,701,000), representing a decrease of approximately 55.35% as compared with the same period last year. It was attributed to unfavourable results derived from three business segments of the Group. The first segment of securities trading, which had reported losses continuously, had cleared all remaining positions last year so as to minimise the overall losses of the Group. Despite the dip in turnover of the freight business segment, losses were also reduced as a result of the stringent cost control measures implemented by the Group. Turnover of the container depot segment went southward by 21% with the losses so sustained being augmented than that of the same period last year by provisions on account receivables.

CAPITAL STRUCTURE

There has been no change in the share capital structure of the Company since 1st April, 2002.

The decrease in the Group's total shareholders' funds from HK\$345,860,000 as at 31st March, 2002 to HK\$292,830,000 as at 30th September, 2002 was mainly attributable to the operating loss of HK\$42,579,000 for the six months ended 30th September, 2002.

LIQUIDITY AND FINANCIAL RESOURCES

For the six months ended 30th September, 2002, the Group made an increase in cash outflow compared to the corresponding period last year mainly due to an increase in operating costs and the absence of special inflow, in addition to no profit being brought from new projects which are yet to be commenced.

REVIEW OF OPERATIONS

– *Freight Forwarding and Vessel Operating Common Carrier Services*

The freight business segment sustained an operating loss for the period under review. Demands for transport in the Pearl River Delta Area have been focused on Shekou and Yantian that are made more competitive by their advantages of having cheaper loading charges. Consequently, the turnover contributed by this segment was reduced by approximately 15.31% to HK\$13,699,000 as compared with the corresponding period last year. The operating loss for the period under review was HK\$171,000, representing a decrease of HK\$1,214,000 compared to last year.

– *Container Depot Operation and Logistics Management Services*

As the Container Depot in Shanghai is undergoing extensive maintenance work, the reduction in the usable area for operational use has attributed to a corresponding fall in turnover. Turnover decreased by HK\$2,099,000 or approximately 20.69% to HK\$8,047,000 as compared with the corresponding period of last year of HK\$10,146,000.

– *Provision of Satellite and Internet Support to Long Distance Education for Pharmacists and Continuing Medical Education*

Oriental Express Development Limited (“OEDL”) was initially expected to commence operation in the second half of 2002. OEDL is principally engaged into the business of providing long distance professional educational services for pharmacists through satellite and internet in the PRC.

Apart from OEDL, the Group also acquired 45% equity interests of Independent Islands Limited (“IIL”) during the period under review. IIL is a company mainly engages in the provision of technical supporting services to the continuing education for practitioners amongst the medical sector, village doctor education, standardised training for impatient’s doctor, full-subject education for doctors, and on-the-job certification training by way of distant learning through a satellite and computer network in the PRC.

However, delays in the progress of construction of the infrastructure have perpetrated the absence of any contribution from these ventures in the period under review.

EMPLOYEES AND REMUNERATION POLICY

As at 30th September, 2002 the Group employed approximately 240 staff with approximately 34 staff in Hong Kong and 206 staff in Mainland. The Group continues to review the remuneration packages of employees with reference to the level and composition of pay, the general market condition and individual performance. Staff benefits include contribution to Mandatory Provident Fund Scheme and discretionary bonus, share option scheme, medical allowance and hospitalization scheme, housing reimbursement and tax subsidy.

PROSPECTS

For the period under review, we have already adopted a stringent cost control on our freight business segment in the hope of turning our book to black. Such measure has proved to be a success as evidenced by an improvement in the operating loss recorded under this segment. Construction works for infrastructure of our newly acquired businesses are nearly completed with most of them have been placed under trial run. These newly acquired businesses are expected to commence commercial operations in the middle of year 2003.

Notwithstanding the sluggish economic conditions prevailing around the globe, management strives to explore new investment opportunities strenuously and continuously. To strengthen our income base, we also invested in projects with promising growth in the PRC. It is anticipated that such new projects will provide a stable source of income to the Group. As such, we are confident to face all challenges ahead as the Group is well positioned to grasp suitable business opportunity arising in future.

In the near term, we are committed to maintain a balancing position in our cash flow by implementing more stringent control on operating expenses as well as better allocation of resources. As a company with a view for long-term advancement, we are assuredly using our best endeavours to turnaround so as to provide profitable returns for our valuable shareholders.

DIRECTORS

EXECUTIVE DIRECTORS:

Mr. Tsai Bobby Sung-En, <i>Chairman</i>	
Mr. Liang Jun	
Mr. Yu Liang Liang	
Mr. Hon Wing Kwong	(appointed on 14th December, 2002)
Mr. Tsoi Wai Kwong	(resigned on 22nd May, 2002)
Mr. Hon Ming Kong	(resigned on 11th December, 2002)

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Chan Tat Chee	
Mr. Chang Chih Ping, Tony	(appointed on 17th July, 2002)
Mr. Lee Yu Leung	(resigned on 30th August, 2002)

COMPANY SECRETARY

Ms. Shirley Lau

DISCLOSURE OF INTERESTS

DIRECTORS' INTERESTS IN SECURITIES

As at 30th September, 2002, the interest of the directors and chief executives in the securities of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance of Hong Kong (the "SDI Ordinance")) as recorded in the register required to be kept under Section 29 of the SDI Ordinance were as follows:

Name of director	Number of ordinary shares	
	Personal interest	Corporate interest
Mr. Hon Ming Kong	–	164,714,242 (Note)
Mr. Liang Jun	9,650,000	–

Note: The shares are held by Sincere Bonus Investment Ltd., a company wholly-owned by Mr. Hon Ming Kong.

Save as disclosed above, as at 30th September, 2002, none of the directors and chief executives had any interests in the securities of the Company and its associated corporations (within the meaning of the SDI Ordinance).

SHARE OPTIONS

The Company adopted a share option scheme on 16th September, 1994 for a period of ten years (the “Old Scheme”). In compliance with Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) in relation to share option schemes which came into effect on 1st September, 2001, a new share option scheme was adopted by the shareholders by way of passing an ordinary resolution on 30th August, 2002. Summary of the new share option scheme was contained in a circular dated 24th July, 2002. The new share option scheme came into effect on 26th September, 2002 in replacement of the Old Scheme.

Certain directors were granted options to subscribe for shares in the Company. A summary of the outstanding options for the period ended 30th September, 2002 is as follows:

	Date of Grant	Exercisable Period	Exercise Price	Outstanding as at 1st April, 2002	Outstanding as at 30th September, 2002
Directors					
Hon Ming Kong	2.2.2001	2.2.2001 to 1.2.2011	0.33	10,000,000	10,000,000
Tsai Bobby Sung-En	28.9.2001	19.10.2001 to 18.10.2011	0.435	8,000,000	8,000,000
				<u>18,000,000</u>	<u>18,000,000</u>
Employees					
	8.9.1999	8.9.1999 to 7.9.2009	0.85	8,500,000	8,500,000
	28.9.2001	19.10.2001 to 18.10.2011	0.435	8,000,000	8,000,000
	26.11.2001	17.12.2001 to 16.12.2011	0.64	4,000,000	4,000,000
				<u>20,500,000</u>	<u>20,500,000</u>
Total				<u>38,500,000</u>	<u>38,500,000</u>

No options were granted, exercised, cancelled or lapsed during the period.

Other than as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Other than as disclosed above, none of the directors, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30th September, 2002, the register of the substantial shareholders maintained by the Company under Section 16(1) of the SDI Ordinance showed that the following shareholder was interested approximately 10% or more of the issued share capital of the Company:

Name of shareholder	Number of shares held	Percentage of issued share capital %
Sincere Bonus Investment Ltd.	164,714,242	10.825

Save as disclosed above, the Company has not been notified of any other interests representing approximately 10% or more of the Company's issued share capital as at 30th September, 2002.

CORPORATE GOVERNANCE

None of the directors is aware of any information that would reasonably indicate that the Company is not, or was not during the six months ended 30th September, 2002, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except that the independent non-executive directors are not appointed for a specific term and are subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the bye-laws of the Company.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim report for the six months ended 30th September, 2002.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period, there was no purchase, sale or redemption by the Company, or any of its subsidiaries of the listed securities of the Company.

APPRECIATION

On behalf of the Board, I would like to extend my sincere gratitude to our shareholders, customers, suppliers, bankers and professional advisors for their continued support. May I also thank my fellow directors and our staff for their dedication and contribution.

By Order of the Board
Tsai Bobby Sung-En
Chairman

Hong Kong, 30th December, 2002

德勤·關黃陳方會計師行

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永安中心26樓

**Deloitte
Touche
Tohmatsu**

INDEPENDENT REVIEW REPORT

TO THE BOARD OF DIRECTORS OF ORIENTAL UNION HOLDINGS LIMITED

INTRODUCTION

We have been instructed by the directors of the Company to review the interim financial report set out on pages 2 to 16.

DIRECTORS' RESPONSIBILITIES

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

REVIEW WORK PERFORMED

We conducted our review in accordance with the Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th September, 2002.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 30th December, 2002