

# Notes to the Financial Statements

For the year ended 31 March 2003

## 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 People's Republic of China (the "PRC").

## 2. ADOPTION OF REVISED AND NEW STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

In the current year, the Group has adopted for the first time the following revised and new SSAPs issued by the Hong Kong Society of Accountants:

- |     |                   |   |                                      |
|-----|-------------------|---|--------------------------------------|
| (a) | SSAP 1 (Revised)  | : | Presentation of financial statements |
| (b) | SSAP 11 (Revised) | : | Foreign currency translation         |
| (c) | SSAP 15 (Revised) | : | Cash flow statements                 |
| (d) | SSAP 34           | : | Employee benefits                    |

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting these SSAPs are summarised as follows:

SSAP 1 (Revised) prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision to this SSAP is that a consolidated summary statement of changes in equity is now presented on page 23 of the financial statements in place of the consolidated statement of recognised gains and losses that was previously required.

SSAP 11 (Revised) prescribes the basis for the translation of foreign currency transactions in the financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the income statements of overseas subsidiaries and associates are translated at average exchange rates for the year, rather than translated at the applicable rates of exchange ruling at the balance sheet date that was previously followed by the Group. Further details about the impact of this SSAP are described in the accounting policy for foreign currencies below.

# Notes to the Financial Statements

For the year ended 31 March 2003

## 2. ADOPTION OF REVISED AND NEW STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAPs”) (Continued)

SSAP 15 (Revised) prescribes the revised format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, that is, cash flows from operating, investing and financing activities, rather than the five headings previously required. The format of the cash flow statement set out on pages 24 and 25 of the financial statements have been revised in accordance with the new requirements. The cash flows of the Company’s overseas subsidiaries are now translated into Hong Kong dollars using the exchange rates at the dates of the cash flows or, if applicable, at the average exchange rates, whereas previously, they were translated at the applicable rates of exchange ruling at the balance sheet date.

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatments for employee benefits. In addition, disclosures are now required in respect of the Company’s share option schemes, as detailed in note 24 to the financial statements.

## 3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, as modified for the revaluation of certain properties.

### (b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

The results of subsidiaries acquired or disposed of during the year are consolidated from and up to their effective dates of acquisition and disposal respectively. Minority interests, represent the interests of outside shareholders in the net assets and operating results of subsidiaries, are shown separately in the balance sheet and income statement, respectively.

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

# Notes to the Financial Statements

For the year ended 31 March 2003

## 3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) 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 an 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 was 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 an 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.

### (d) 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 an associate at the date of acquisition over the cost of acquisition.

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.

# Notes to the Financial Statements

For the year ended 31 March 2003

## 3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (e) 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 of vessel operating common carrier services and depot container services and logistics management services.

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

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

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

### (f) Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses.

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 leasehold properties 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 revaluations. On disposal of a revalued asset, the relevant portion of the other property revaluation reserve realised in respect of previous valuations is transferred to accumulated profits/(losses) as a movement in reserves.

# Notes to the Financial Statements

For the year ended 31 March 2003

## 3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Property, plant and equipment (Continued)

Depreciation is 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 <sup>1</sup> / <sub>2</sub> % – 20%
Motor vehicles	16 <sup>2</sup> / <sub>3</sub> % – 20%
Tractors, trailers and chassis	8 <sup>1</sup> / <sub>3</sub> %
Plant and machinery	6 <sup>2</sup> / <sub>3</sub> % – 20%

### (g) Interests in subsidiaries

A subsidiary is a company that the Company controls which is normally evidenced when the Company has the power, directly or indirectly, to govern its financial and operating policies so as to benefit from its activities.

Interests in subsidiaries are included in the Company's balance sheet at cost less any impairment losses.

### (h) Interests in associates

An associate is a company, not being a subsidiary, in which the Group has significance influence, but not control, over its management including participation in the financial and operating policy decisions.

The income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates plus goodwill/ (negative goodwill) arising on acquisition, less any impairment losses.

### (i) Investments in securities

Investments in securities are recognised on a trade-date basis. Other investments under investment in securities are carried at fair value with unrealised gains and losses included in the income statement.

# Notes to the Financial Statements

For the year ended 31 March 2003

## 3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (j) Impairment of assets

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 SSAP.

### (k) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

### (l) Employee benefits

#### (i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

# Notes to the Financial Statements

For the year ended 31 March 2003

## 3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (l) Employee benefits (Continued)

#### (ii) Retirement benefits costs

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

### (m) 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.

### (n) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases.

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

### (o) Foreign currencies

Foreign currency translations are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the income statement.

On consolidation, the balance sheets of overseas subsidiaries and associates are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date, whereas the income statements are translated at the average rate for the year. The resulting translation differences are included in the translation reserve.

In previous years, the income statements of overseas subsidiaries and associates were translated into Hong Kong dollars at the exchange rates at the balance sheet date. The change in the treatment of such items in the current year has, however, had no significant effect on these financial statements.

# Notes to the Financial Statements

For the year ended 31 March 2003

## 3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (p) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash on hand, demand deposits and, short term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value, and have a short maturity of generally within three months when acquired. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

### (q) Share option schemes

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants for their contribution and support to the Group. The financial impact of share options granted under the share option schemes is not recorded in the Company's and the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the income statement or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which have lapsed, are deleted from the register of outstanding options and have no impact on the income statement or balance sheet.

### (r) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing services (business segment), or in providing services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

# Notes to the Financial Statements

For the year ended 31 March 2003

## 3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (r) Segment reporting (Continued)

Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year.

Unallocated items mainly comprise financial and corporate assets, borrowings, corporate and financing expenses, and corporate revenue.

## 4. TURNOVER

Turnover represents the amounts received and receivable for freight forwarding and vessel operating common carrier services, sale of investments in securities, depot container services and logistics management services rendered by the Group during the year. Analysis of the Group's turnover is as follows:

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Provision of freight forwarding and vessel operating common carrier services	<b>25,172</b>	28,761
Provision of depot container services and logistics management services	<b>17,932</b>	18,165
Sale of investments in securities	<b>—</b>	22,380
	<b><u>43,104</u></b>	<b><u>69,306</u></b>

# Notes to the Financial Statements

For the year ended 31 March 2003

## 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. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

	<b>Freight forwarding and vessel operating common carrier services</b> HK\$'000	<b>Securities trading</b> HK\$'000	<b>Operation of container depots and logistics management services</b> HK\$'000	<b>Strategic investments and others</b> HK\$'000	<b>Consolidated</b> HK\$'000
For the year ended 31 March 2003					
Turnover	25,172	—	17,932	—	43,104
Segment results	1,688	—	(4,726)	(4)	(3,042)
Interest income					36
Group overheads					(23,629)
Corporate finance overheads					(5,324)
Loss from operations					(31,959)
Share of results of associates	(10)	—	—	(2,999)	(3,009)
Amortisation of goodwill	—	—	—	(19,516)	(19,516)
Impairment losses recognised in relation to associates	—	—	—	(190,430)	(190,430)
Provision for loan receivables	—	—	—	(13,502)	(13,502)
Provision for deposits paid for potential investments	—	—	—	(27,170)	(27,170)
Loss on disposal of partial interest in a subsidiary	—	—	(12,808)	—	(12,808)
Loss from ordinary activities before taxation					(298,394)
Taxation					—
Loss before minority interests					(298,394)
Minority interests					174
Net loss for the year					(298,220)

# Notes to the Financial Statements

For the year ended 31 March 2003

## 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	Strategic investments and others HK\$'000	Consolidated HK\$'000
At 31 March 2003					
<b>ASSETS</b>					
Segment assets	6,175	—	77,741	400	84,316
Interests in associates	558	—	—	—	558
Unallocated corporate assets					3,585
Consolidated total assets					<u>88,459</u>
<b>LIABILITIES</b>					
Segment liabilities	4,873	—	1,828	—	6,701
Unallocated corporate liabilities					38,780
Consolidated total liabilities					<u>45,481</u>
<b>OTHER INFORMATION</b>					
Capital additions	244	—	18	69	331
Amortisation of goodwill	—	—	—	19,516	19,516
Depreciation	320	—	3,799	1,154	5,273
Prepaid rentals written back	(1,425)	—	—	—	(1,425)
Impairment losses recognised in relation to associates	—	—	—	190,430	190,430

# Notes to the Financial Statements

For the year ended 31 March 2003

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

### Business segments (Continued)

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

# Notes to the Financial Statements

For the year ended 31 March 2003

## 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						
<b>ASSETS</b>						
Segment assets	8,578	—	89,202	450	52,901	151,131
Interests in associates	556	—	—	—	211,949	212,505
Unallocated corporate assets						8,048
Consolidated total assets						<u>371,684</u>
<b>LIABILITIES</b>						
Segment liabilities	4,401	—	1,591	—	—	5,992
Unallocated corporate liabilities						12,440
Consolidated total liabilities						<u>18,432</u>
<b>OTHER INFORMATION</b>						
Capital additions	673	—	1,430	—	1,214	3,317
Amortisation of goodwill	—	—	—	—	6,124	6,124
Depreciation	263	—	5,244	—	1,891	7,398
Amortisation of prepaid rentals	1,295	—	—	—	—	1,295
Prepaid rentals written off	4,997	—	—	—	—	4,997

# Notes to the Financial Statements

For the year ended 31 March 2003

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

### Geographical segments

The Group's operations are principally located in the PRC and Hong Kong.

An analysis of the Group's turnover and contribution to loss from operations by geographical market, irrespective of the origin of the goods/services is as follows:

	Turnover by geographical market		Contribution to loss from operations	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The PRC	<b>43,104</b>	46,926	<b>(3,038)</b>	Note(10,875)
Hong Kong	<b>—</b>	22,380	<b>(4)</b>	Note(11,188)
	<b><u>43,104</u></b>	<b><u>69,306</u></b>	<b><u>(3,042)</u></b>	<b><u>(22,063)</u></b>
Interest income			<b>36</b>	132
Group overheads			<b>(23,629)</b>	(28,371)
Corporate finance overheads			<b>(5,324)</b>	(4,919)
Loss from operations			<b><u>(31,959)</u></b>	<b><u>(55,221)</u></b>

Note: The comparative figures of contribution to loss from operations in 2002 have been reclassified in order to give a more appropriate presentation of the results of the geographical segments.

An analysis of the carrying amount of segment assets and additions to property, plant and equipment, by geographical area are as follows:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The PRC	<b>78,299</b>	301,707	<b>18</b>	1,430
Hong Kong	<b>10,160</b>	69,977	<b>313</b>	1,887
	<b><u>88,459</u></b>	<b><u>371,684</u></b>	<b><u>331</u></b>	<b><u>3,317</u></b>

# Notes to the Financial Statements

For the year ended 31 March 2003

## 6. OTHER REVENUE

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Other revenue includes the following:		
Interest income	<b>36</b>	132
Waiver of an amount due to a trade creditor	<b>1,751</b>	—
	<b><u>1,787</u></b>	<b><u>132</u></b>

## 7. OTHER OPERATING INCOME/(EXPENSES), NET

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Other operating income/(expenses), net comprise:		
Prepaid rentals written back/(off)	<b>1,425</b>	(4,997)
Provision for bad and doubtful debts	<b>(952)</b>	(407)
	<b><u>473</u></b>	<b><u>(5,404)</u></b>

## 8. LOSS FROM OPERATIONS

Loss from operations has been arrived at after charging/(crediting):

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Amortisation of prepaid rentals	—	1,295
Auditors' remuneration		
– current year	<b>450</b>	1,436
– overprovision in prior year	—	(25)
Depreciation	<b>5,273</b>	7,398
Loss on disposal of property, plant and equipment	<b>857</b>	488
Operating lease rentals in respect of		
– land and buildings (Note (a))	<b>3,169</b>	3,981
– vessels	<b>2,335</b>	1,112
Property, plant and equipment written off	<b>979</b>	—
Staff costs including directors' emoluments (Note (b))	<b>17,540</b>	25,388
	<b><u>28,583</u></b>	<b><u>39,987</u></b>

Note:

- (a) The comparative disclosure has been revised to take into account rental payments for land and buildings in the PRC in conformity with the current year's presentation.
- (b) The staff costs for the year included the retirement benefits scheme contributions payable of approximately HK\$361,000 (2002: HK\$353,000), net of forfeited contributions of approximately HK\$100,000 (2002: HK\$Nil).

# Notes to the Financial Statements

For the year ended 31 March 2003

## 9. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

The emoluments of the directors and the five highest paid individuals are summarised as follows:

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
<b>Directors' emoluments</b>		
Fees:		
Executive directors	<b>250</b>	—
Independent non-executive directors	<b>85</b>	350
	<b>335</b>	350
Other emoluments to executive directors:		
Salaries and other benefits	<b>3,789</b>	7,356
Performance related incentive payments	<b>26</b>	448
Retirement benefits scheme contributions	<b>46</b>	68
Compensation for loss of office	<b>2,385</b>	—
	<b>6,246</b>	7,872
	<b>6,581</b>	8,222

Except for an executive director who has agreed to waive his director's fee of HK\$100,000 for the year ended 31 March 2003, there were no arrangement under which a director waived or agreed to waive any emoluments during the year.

Emoluments of the directors were within the following bands:

	<b>Number of directors</b>	
	<b>2003</b>	2002
Nil – HK\$1,000,000	<b>6</b>	4
HK\$1,000,001 – HK\$1,500,000	<b>2</b>	3
HK\$3,000,001 – HK\$3,500,000	<b>1</b>	—
HK\$3,500,001 – HK\$4,000,000	<b>—</b>	1
	<b>9</b>	8

In addition to the above emoluments, share options were granted to certain directors in respect of their services to the Group, further details of which are set out in note 24 to the financial statements.

# Notes to the Financial Statements

For the year ended 31 March 2003

## 9. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (Continued)

### Five highest paid individuals' emoluments

The five highest paid individuals in the Group in the current year include four (2002: four) directors of the Company and details of their emoluments are set out above. The emoluments of the remaining one (2002: one) highest paid individual, which were less than HK\$1,000,000, are as follows:

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Salaries and other benefits	<b>600</b>	828
Performance related incentive payments	<b>50</b>	39
Retirement benefits scheme contributions	<b>18</b>	8
	<b>668</b>	875

Save as disclosed above during the year, no emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

## 10. IMPAIRMENT LOSSES RECOGNISED IN RELATION TO ASSOCIATES

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Impairment losses recognised in relation to the goodwill arising on acquisition of associates	<b>169,515</b>	—
Impairment losses recognised in relation to amounts due from associates	<b>20,915</b>	—
	<b>190,430</b>	—

# Notes to the Financial Statements

For the year ended 31 March 2003

## 11. TAXATION

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
The taxation credit comprises:		
Hong Kong Profits Tax		
Underprovision in prior year	—	(18)
Overprovision of overseas tax made in prior year	—	111
	<u>—</u>	<u>93</u>

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. Provision for income tax in respect of operations in overseas has not been made as the Group did not generate any assessable profits in the respective jurisdictions for both years.

Details of the unprovided deferred taxation are set out in note 26 to the financial statements.

## 12. NET LOSS FOR THE YEAR

Of the consolidated loss of approximately HK\$298,220,000 (2002: HK\$47,188,000), a loss of approximately HK\$298,631,000 (2002: HK\$89,564,000) has been dealt with in the financial statements of the Company.

## 13. LOSS PER SHARE

The calculation of basic loss per share is based on the Group's net loss for the year of approximately HK\$298,220,000 (2002: net loss of HK\$47,188,000) and the weighted average of approximately 1,521,541,000 ordinary shares (2002: 1,245,689,000 ordinary shares) in issue during the year.

Diluted loss per share for the years ended 31 March 2003 and 2002 have not been presented as the outstanding share options and warrants had an anti-dilutive effect on the basic loss per share for both years.

# Notes to the Financial Statements

For the year ended 31 March 2003

## 14. 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
<b>THE GROUP</b>					
<b>Cost or valuation</b>					
At 1 April 2002	66,000	12,348	15,512	16,996	110,856
Exchange realignment	384	28	116	160	688
Additions	—	299	—	32	331
Disposals/Written off	—	(7,800)	(3,594)	(68)	(11,462)
Deficit arising on revaluation	(7,384)	—	—	—	(7,384)
<b>At 31 March 2003</b>	<b>59,000</b>	<b>4,875</b>	<b>12,034</b>	<b>17,120</b>	<b>93,029</b>
Comprising:					
At cost	—	4,875	12,034	17,120	34,029
At valuation - 2003	59,000	—	—	—	59,000
<b>At 31 March 2003</b>	<b>59,000</b>	<b>4,875</b>	<b>12,034</b>	<b>17,120</b>	<b>93,029</b>
<b>Accumulated depreciation</b>					
At 1 April 2002	—	8,664	8,509	6,600	23,773
Exchange realignment	49	14	68	61	192
Charge for the year	1,535	1,141	1,512	1,085	5,273
Disposals/Written off	—	(7,056)	(1,982)	(12)	(9,050)
Eliminated on revaluation	(1,584)	—	—	—	(1,584)
<b>At 31 March 2003</b>	<b>—</b>	<b>2,763</b>	<b>8,107</b>	<b>7,734</b>	<b>18,604</b>
<b>Net book value</b>					
<b>At 31 March 2003</b>	<b>59,000</b>	<b>2,112</b>	<b>3,927</b>	<b>9,386</b>	<b>74,425</b>
At 31 March 2002	66,000	3,684	7,003	10,396	87,083

# Notes to the Financial Statements

For the year ended 31 March 2003

## 14. PROPERTY, PLANT AND EQUIPMENT (Continued)

### Furniture, fixtures and equipment

HK\$'000

#### THE COMPANY

##### Cost

At 1 April 2002	1,084
Additions	48

**At 31 March 2003** **1,132**

##### Accumulated depreciation

At 1 April 2002	225
Charge for the year	363

**At 31 March 2003** **588**

##### Net book value

**At 31 March 2003** **544**

At 31 March 2002 **859**

The Group's leasehold properties were held outside Hong Kong under leases of between 10 to 50 years.

The valuation of leasehold properties at 31 March 2003 was carried out by B.I. Appraisals Limited, an independent professional property valuer, on an open market value basis.

The carrying amount of the leasehold properties of the Group would have been approximately HK\$31,155,000 (2002: HK\$31,635,000) had they been stated at cost less accumulated depreciation.

# Notes to the Financial Statements

For the year ended 31 March 2003

## 15. INTERESTS IN SUBSIDIARIES

	<b>THE COMPANY</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Unlisted shares, at cost	<b>129,498</b>	129,498
Amounts due from subsidiaries	<b>721,383</b>	726,792
	<b>850,881</b>	856,290
Less: Impairment losses	<b>(844,850)</b>	(610,800)
	<b>6,031</b>	245,490

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment. In the opinion of the directors, no demand for repayment will be made by the Company in the next twelve months. Accordingly, the amounts are shown as non-current assets.

Particulars of the principal subsidiaries of the Company at 31 March 2003 are as follows:

Name	Place of incorporation or registration/ operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Group	Principal activities
<b>Shares held directly:</b>				
Oriental Union Strategies Limited (the "OU Strategies")	British Virgin Islands/ Hong Kong	US\$300,000	100%	Investment holding
<b>Shares held indirectly:</b>				
Crossborder Assets Limited	British Virgin Islands/ Hong Kong	US\$2	100%	Investment holding
Electronic Dragon Technology Limited	British Virgin Islands/ Hong Kong	US\$1	100%	Investment holding

# Notes to the Financial Statements

For the year ended 31 March 2003

## 15. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation or registration/ operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Group	Principal activities
<b>Shares held indirectly:</b> (Continued)				
Freedom Liberty Limited	British Virgin Islands/ Hong Kong	US\$1	100%	Chartering of vessels
Jungjin Logistics Development Limited	British Virgin Islands/ Hong Kong	US\$1	100%	Investment holding
Jungjin Shipping Company Limited	Hong Kong	Ordinary HK\$1,000 Deferred HK\$2 (Note a)	100%	Vessel operations shipping agency
Ocean Blue Developments Limited	British Virgin Islands/ Hong Kong	US\$1	100%	Investment holding
Oriental Union Freight Holdings Limited	British Virgin Islands/ Hong Kong	US\$1	100%	Investment holding
Oriental Union Information & Technology Ltd.	British Virgin Islands/ Hong Kong	US\$1	100%	Investment holding
Oriental Union Techn. Ltd.	British Virgin Islands/ Hong Kong	US\$1	100%	Investment holding
Piston Investment Limited	Hong Kong	HK\$2	100%	Investment holding
Shanghai Fortune Limited ("Shanghai Fortune")	Hong Kong	HK\$2	60%	Investment holding

# Notes to the Financial Statements

For the year ended 31 March 2003

## 15. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation or registration/ operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Group	Principal activities
<b>Shares held indirectly:</b> (Continued)				
Shanghai United Asia Container Services Co., Ltd. ("Shanghai United")	The PRC	US\$9,000,000	Note (b)	Operation of container depots and logistics management services
United Asia Terminal Holdings Limited ("United Asia")	British Virgin Islands/ Hong Kong	US\$100	60% Note (c)	Investment holding

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Note:

- (a) 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 company or to participate in any distribution in winding up.
- (b) The subsidiary is a co-operative joint venture between Shanghai Fortune 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 Shanghai Fortune 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, Shanghai Fortune 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.
- (c) During the year, the Group disposed of 40% shareholding in United Asia, a then wholly owned subsidiary of the Company, and assigned the loan of approximately HK\$35,428,000 due from United Asia to the purchaser at a total consideration of approximately HK\$16,000,000. United Asia is the holding company of Shanghai Fortune, Fortune Union Investment Limited ("Fortune Union") and Shanghai United which are principally engaged in container depots and logistics management services.

The aforesaid disposal was completed in February 2003. The consideration of approximately HK\$16,000,000 is payable by way of three installments. Up to 31 March 2003, the first installment of HK\$4,000,000 has been paid and the second and third installments were settled subsequent to the balance sheet date.

# Notes to the Financial Statements

For the year ended 31 March 2003

## 16. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Share of net liabilities	(4,132)	(1,152)	—	—
Goodwill	—	189,031	—	—
Amounts due from associates	<b>37,422</b>	36,443	<b>8,932</b>	8,121
	<b>33,290</b>	224,322	<b>8,932</b>	8,121
Less: Impairment losses	<b>(32,732)</b>	(11,817)	<b>(8,932)</b>	(3,740)
	<b>558</b>	212,505	<b>—</b>	4,381

The amounts due from associates are unsecured, interest free and have no fixed terms of repayment.

The movement of goodwill arising on acquisition of associates are analysed as follows:

	THE GROUP HK\$'000
<b>Cost</b>	
At 1 April 2002 and 31 March 2003	<b>195,155</b>
<b>Aggregate amortisation and impairment losses</b>	
At 1 April 2002	6,124
Charge for the year	19,516
Impairment loss for the year	169,515
<b>At 31 March 2003</b>	<b>195,155</b>
<b>Net book value</b>	
<b>At 31 March 2003</b>	<b>—</b>
At 31 March 2002	189,031

The amortisation period adopted for goodwill is 10 years.

As the new management has no expertise in the business of satellite, computer and internet networks, no further financial resources will be injected into these projects. The unamortised goodwill and the amounts due from these associates were considered impaired accordingly.

# Notes to the Financial Statements

For the year ended 31 March 2003

## 16. INTERESTS IN ASSOCIATES (Continued)

Particulars of the principal associates (not audited by RSM Nelson Wheeler) held by the Group at 31 March 2003 are as follows:

Name	Place of incorporation/ registration	Business structure	Issued capital/ registered capital	Percentage of equity attributable to the Group	Principal activities
* Beijing Eastern Sapharm Technology Co., Ltd.	The PRC	Corporate	US\$3,500,000	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
* Beijing Worthope Sathen Network Technology Co. Ltd. ("Beijing Worthope")	The PRC	Corporate	US\$6,200,000	36.29%	Provision of technical support services for continuing education services and professional training and other related services to medical practitioners in the PRC
Independent Islands Limited	British Virgin Islands	Corporate	US\$100	45%	Investment holding
Oriental Express Development Limited ("Oriental Express")	Hong Kong	Corporate	HK\$110,000	20%	Investment holding
Zhaoqing Wing Jin Transportation Co., Ltd. ("Zhaoqing Wing Jin")	The PRC	Corporate	US\$1,200,000	50%	Inactive

\* A translation of the official Chinese name.

The above table lists the associates of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

All associates are private companies and principally operate in the PRC except Independent Islands Limited and Oriental Express which principally operate in Hong Kong.

# Notes to the Financial Statements

For the year ended 31 March 2003

## 17. LOAN RECEIVABLES

	THE GROUP		THE COMPANY	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The amount comprises:				
Loan receivables (Note)	<b>18,523</b>	16,522	<b>400</b>	11,901
Less: Provision	<b>(17,567)</b>	(4,065)	<b>—</b>	—
	<b>956</b>	12,457	<b>400</b>	11,901
Amount shown under non-current assets	<b>—</b>	556	<b>—</b>	—
Amount shown under current assets	<b>956</b>	11,901	<b>400</b>	11,901
	<b>956</b>	12,457	<b>400</b>	11,901

Note:

- (a) Included in loan receivables is an amount of approximately HK\$12,122,000 due from a joint venture partner of an associate, Beijing Worthope in relation to the investment in Beijing Worthope. The directors are of the opinion that, given the prospect of the aforesaid associate, the Company is unlikely to recover the aforesaid amount. Hence, a full provision of approximately HK\$12,122,000 was made.
- (b) Included in loan receivables is an amount of approximately HK\$1,380,000 due from a joint venture partner of Beijing Worthope, Famous Islands Limited, in relation to the investment in Beijing Worthope. Famous Islands Limited is also a shareholder of the Company. The directors are of the opinion that, given the prospect of the aforesaid associate, the Company is unlikely to recover the aforesaid amount. Hence, a full provision of approximately HK\$1,380,000 was made.
- (c) Included in loan receivables is an amount of approximately HK\$4,621,000 due from a joint venture partner of an associate, Zhaoqing Wing Jin and the loan is repayable on demand. 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 Zhaoqing Wing Jin owned by the joint venture partner. A provision of approximately HK\$4,065,000 was made in 2002.
- (d) Included in loan receivables is an amount of approximately HK\$400,000 due from a joint venture partner of an associate, Oriental Express. The amount is unsecured, non-interest bearing and repayable on demand.

# Notes to the Financial Statements

For the year ended 31 March 2003

## 18. TRADE AND OTHER DEBTORS, DEPOSITS AND PREPAYMENTS

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

At 31 March 2003, the balance of trade and other debtors, deposits and prepayments included trade debtors of HK\$5,459,000 (2002: HK\$6,053,000). The aged analysis of trade debtors net of provision for bad and doubtful debts at the reporting dates are as follows:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
0 – 60 days	2,778	4,510
61 – 90 days	1,028	714
91 – 180 days	1,202	135
181 – 365 days	193	488
Over 1 year	258	206
	<u>5,459</u>	<u>6,053</u>

## 19. DEPOSITS PAID FOR POTENTIAL INVESTMENTS

	THE GROUP AND THE COMPANY	
	2003	2002
	HK\$'000	HK\$'000
Deposits paid for potential investments (Note)	27,170	41,000
Less: Provision	(27,170)	—
	<u>—</u>	<u>41,000</u>

Note:

- (a) On 16 June 2000, the Company entered into a conditional agreement (“Agreement”) with One Network Investments Limited (“One Network”) in connection with the acquisition of the entire interest of Telhope Information Development Company Limited (“Telhope”) for a consideration of HK\$308,000,000.

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 deposit of HK\$20,000,000.

# Notes to the Financial Statements

For the year ended 31 March 2003

## 19. DEPOSITS PAID FOR POTENTIAL INVESTMENTS (Continued)

Note: (Continued)

(a) (Continued)

On 19 February 2001, the Company issued a Writ of Summons under High Court Action No.798 of 2001 against One Network, Lau Sum Angela, Teleinfo Co. Limited and Li Luogen 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. As the acquisition was cancelled by consent of the contracted parties and therefore, in the opinion of the directors, the Company was entitled to the return of deposits paid. The Company's legal advisers are proceeding with the action.

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 that it is appropriate, at this stage, to make a full provision of HK\$20,000,000.

(b) During the year ended 31 March 2002, the Group paid deposit of HK\$21,000,000 in aggregate to Turnmile (Overseas) Ltd. with the intention of acquiring its telecommunications business. This proposed transaction was subsequently cancelled and part of the deposit amounted to HK\$13,830,000 was refunded. In view of the uncertainty of the timing for the recovery of the remaining deposit, the directors consider that it is appropriate, at this stage, to make a provision on the remaining balance of HK\$7,170,000.

## 20. TRADE AND OTHER CREDITORS

At 31 March 2003, the balance of trade and other creditors included trade creditors of HK\$4,225,000 (2002: HK\$2,554,000). The aged analysis of the trade creditors at the reporting dates are as follows:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
0 – 60 days	2,798	2,267
61 – 90 days	935	—
91 – 180 days	63	3
181 – 365 days	15	—
Over 1 year	414	284
	<u>4,225</u>	<u>2,554</u>

Included in other creditors of the Group and the Company are amounts of approximately HK\$1,364,000 and HK\$1,643,000 representing accrued salaries due to the Company's directors, Mr. Liang Jun, Mr. Tsai Bobby Sung-En and Mr. Chang Chih Ping, Tony and a former director, Mr. Hon Ming Kong respectively.

## 21. AMOUNT DUE TO A FORMER DIRECTOR

The loan of the Group and the Company was advanced by Mr. Hon Ming Kong, a former director of the Company and is unsecured, interest free and repayable on demand.

# Notes to the Financial Statements

For the year ended 31 March 2003

## 22. SHARE CAPITAL

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Authorised:		
3,000,000,000 ordinary shares of HK\$0.10 each	<b><u>300,000</u></b>	<u>300,000</u>
Issued and fully paid:		
At 1 April 2002: 1,521,541,315 (At 1 April 2001: 1,162,344,315) ordinary shares of HK\$0.10 each	<b>152,154</b>	116,234
Issue of shares		
– upon exercise of share options under a share option scheme	—	1,040
– as the partial consideration for the acquisition of an associate	—	14,000
– by placements	—	20,880
At 31 March: 1,521,541,315 ordinary shares of HK\$0.10 each	<b><u>152,154</u></b>	<u>152,154</u>

## 23. WARRANTS

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 were issued in registered form in units of HK\$0.5 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 (the "Stock Exchange") on 5 September 2001. The net proceeds of approximately HK\$33,000,000 will be used as general working capital and to finance future and other strategic investments when the appropriate opportunity arises.

# Notes to the Financial Statements

For the year ended 31 March 2003

## 23. WARRANTS (Continued)

At 31 March 2003 and 2002, warrants carrying subscriptions rights of HK\$117,000,000 remained outstanding.

As a result of the Share Consolidation and Rights Issue as mentioned in note 32 to the financial statements, the subscription price had been changed from HK\$0.50 to HK\$3.79 per share subsequent to the financial year end.

## 24. SHARE OPTIONS

Pursuant to the new share option scheme adopted by the shareholders of the Company on 30 August 2002 (the "New Share Option Scheme"), the board of the Company may for a consideration of HK\$1 offer to selected eligible persons to subscribe for shares of the Company as incentive or rewards for their contribution to the Group. The New Share Option Scheme became effective for a period of ten years commencing on 26 September 2002. No options under the New Share Option Scheme had been granted to any person since its adoption.

In compliance with the amended Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange, the New Share Option Scheme supersedes the previous share option scheme adopted by the shareholders of the Company on 16 September 1994 (the "Previous Share Option Scheme"). The Previous Share Option Scheme was terminated on 26 September 2002 accordingly. However, notwithstanding the termination of the Previous Share Option Scheme, the outstanding options previously granted under the Previous Share Option Scheme shall remain valid and exercisable in accordance with the provisions of the Previous Share Option Scheme.

# Notes to the Financial Statements

For the year ended 31 March 2003

## 24. SHARE OPTIONS (Continued)

At 31 March 2003, the outstanding options granted under the Previous Share Option Scheme were set out as follows:

Former executive director	Date of grant	Exercise period	Exercise price per share HK\$	Number of options				
				Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed upon expiry/termination of employment	Outstanding at end of the year
Hon Ming Kong	2.2.2001	2.2.2001 to 1.2.2011	0.33	10,000,000	—	—	(10,000,000)	—
<b>Executive director</b>								
Tsai Bobby Sung-En	19.10.2001	19.10.2001 to 18.10.2011	0.435	8,000,000	—	—	—	8,000,000
				<u>18,000,000</u>	<u>—</u>	<u>—</u>	<u>(10,000,000)</u>	<u>8,000,000</u>
<b>Employees</b>	8.9.1999	8.9.1999 to 7.9.2009	0.85	8,500,000	—	—	—	8,500,000
<b>Employees</b>	19.10.2001	19.10.2001 to 18.10.2011	0.435	8,000,000	—	—	(8,000,000)	—
<b>Employees</b>	17.12.2001	17.12.2001 to 16.12.2011	0.64	4,000,000	—	—	(4,000,000)	—
				<u>20,500,000</u>	<u>—</u>	<u>—</u>	<u>(12,000,000)</u>	<u>8,500,000</u>
				<u>38,500,000</u>	<u>—</u>	<u>—</u>	<u>(22,000,000)</u>	<u>16,500,000</u>

On 27 May 2003, the above grantees whose options were then still outstanding, agreed to waive all their respective rights to subscribe for shares of the Company under the Previous Share Option Scheme.

# Notes to the Financial Statements

For the year ended 31 March 2003

## 25. 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
<b>THE GROUP</b>									
At 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:									
- upon exercise of share options	2,185	—	—	—	—	—	—	—	2,185
- new issue as consideration shares	52,780	—	—	—	—	—	—	—	52,780
- new issues by placements	78,718	—	—	—	—	—	—	—	78,718
Expenses in connection with the new issue of shares	(2,165)	—	—	—	—	—	—	—	(2,165)
Surplus on revaluation of leasehold 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 and 1 April 2002	615,825	36,793	577	27,314	(1,843)	1,190	33,392	(519,542)	193,706
Deficit on revaluation of leasehold properties	—	(5,800)	—	—	—	—	—	—	(5,800)
Share of movement of reserve of associates	—	—	29	—	—	—	—	—	29
Reserves attributable to minority shareholders	—	2,320	40	—	—	—	—	—	2,360
Exchange difference arising on translation of operations outside Hong Kong	—	—	439	—	—	—	—	—	439
Net loss for the year	—	—	—	—	—	—	—	(298,220)	(298,220)
<b>At 31 March 2003</b>	<b>615,825</b>	<b>33,313</b>	<b>1,085</b>	<b>27,314</b>	<b>(1,843)</b>	<b>1,190</b>	<b>33,392</b>	<b>(817,762)</b>	<b>(107,486)</b>
Attributable to:									
The Company and its subsidiaries	615,825	33,313	1,052	27,314	(1,843)	1,190	33,392	(808,241)	(97,998)
Associates	—	—	33	—	—	—	—	(9,521)	(9,488)
<b>At 31 March 2003</b>	<b>615,825</b>	<b>33,313</b>	<b>1,085</b>	<b>27,314</b>	<b>(1,843)</b>	<b>1,190</b>	<b>33,392</b>	<b>(817,762)</b>	<b>(107,486)</b>
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)
At 31 March 2002	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 2003

## 25. 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
<b>THE COMPANY</b>						
At 1 April 2001	484,307	129,298	1,190	23,322	(563,833)	74,284
Premium arising from issue of shares:						
– upon exercise of share options	2,185	—	—	—	—	2,185
– new issue as consideration shares	52,780	—	—	—	—	52,780
– new issues by placements	78,718	—	—	—	—	78,718
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	—	—	—	—	(89,564)	(89,564)
At 31 March 2002 and 1 April 2002	615,825	129,298	1,190	33,392	(653,397)	126,308
Net loss for the year	—	—	—	—	(298,631)	(298,631)
<b>At 31 March 2003</b>	<b>615,825</b>	<b>129,298</b>	<b>1,190</b>	<b>33,392</b>	<b>(952,028)</b>	<b>(172,323)</b>

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 OU Strategies and the value of net assets of the underlying subsidiaries acquired 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 Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is 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

# Notes to the Financial Statements

For the year ended 31 March 2003

## 25. RESERVES (Continued)

(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.

At 31 March 2003 and 2002, the Company had no reserves available for distribution to shareholders.

The other reserve represents the amount received net of expenses paid in relation to the issue of warrants as described in note 23 to the financial statements. This reserve will be released to the share premium account upon exercise of the warrants.

## 26. UNPROVIDED DEFERRED TAXATION

The net potential deferred tax asset has not been recognised in the financial statements as it is not certain that the asset will be realised in the foreseeable future.

The potential deferred taxation credit of the Group for the year amounted to approximately HK\$52,000 (2002: HK\$738,000) 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 not provided for in the financial statements is as follows:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Tax effect of timing differences attributable to:		
Taxation losses available to relieve future assessable profit	<b>12,964</b>	13,242
Excess of depreciation allowances claimed for tax purposes over depreciation charges in the financial statements	<b>(44)</b>	(270)
	<b><u>12,920</u></b>	<u>12,972</u>

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 of the Group's property interests.

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

# Notes to the Financial Statements

For the year ended 31 March 2003

## 27. RELATED PARTY TRANSACTIONS

Save as disclosed in the consolidated balance sheet and in notes 16, 17(b), 20 and 21 above in relation to balances with related parties at the balance sheet date, the Group did not have any significant related party transactions during the year.

## 28. CONTINGENT LIABILITIES

At the balance sheet date, the Group has the following contingent liabilities:

- (a) On 29 September 2000, an action was commenced in HCAJ 250 of 2000 (the "1st 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 1st 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 the 1st 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. In the opinion of the directors, it appears unlikely that the plaintiffs would proceed with the 1st Action as no Statement of Claim has yet been served to date notwithstanding the commencement of the 1st Action in September 2000. Based on the legal advice obtained, the directors strongly believe that the Group has reasonable good chances of successfully defending the 1st Action. Hence, no provision has been made in the financial statements.
- (b) On 27 June 2001, two actions were commenced in HCAJ 202 and HCAJ 203 of 2001 (the "2nd Action" and "3rd Action" respectively) 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 the 2nd Action and the 3rd Action are for damages and interests (which were not specified in the respective Indorsement of Claim) and arise 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 2nd Action and the 3rd Action because it had acknowledged service of the Writ of Summons of the 1st Action as a demise charterer of the ship or vessel "Sui Hang 982" and the 2nd Action and the 3rd Action were brought against its owners and/or demise charterers. The case is currently being handled by the Company's legal advisers. The Writ has not yet been served on Freedom Liberty. Based on the legal advice obtained, the directors strongly believe that the Group has reasonable good chances of successfully defending the 2nd Action and the 3rd Action. Hence, no provision has been made in the financial statements.

# Notes to the Financial Statements

For the year ended 31 March 2003

## 28. CONTINGENT LIABILITIES (Continued)

- (c) On 9 April 2002, an action has been commenced in HCCL 18 of 2002 (the "4th Action") by Wedge Marine Limited against the Company (as 1st defendant) and two other defendants for the sum of approximately US\$408,000 and GBP107,000 together with interest and costs. The claim in the 4th Action is in connection with damages together with interest and cost previously claimed for the unpaid charter hire of vessel by a former subsidiary of the Company in which the Company was then claimed as having guaranteed the performance and payments of this former subsidiary. The parties are dealing with the interlocutory matters. Based on the legal advice obtained, the directors strongly believe that the Group has reasonable good chances of successfully defending the 4th Action. Hence, no provision has been made in the financial statements.
- (d) On 13 March 2003, Total Resources Limited ("Total Resources") issued a Writ of Summons at the District Court (the "5th Action") against the Company for HK\$304,000 being fees allegedly due to Total Resources for secondment services in relation to provision of company secretary under a Service Agreement dated 1 August 2001. On 2 May 2003, Total Resources amended its Statement of Claim and then increased its claim to HK\$1,064,000 being damages for repudiation of the Service Agreement. On 20 May 2003, an Order was granted by the District Court for the 5th Action to be transferred to the High Court. Based on the legal advice obtained, the directors strongly believe that the Group has reasonable good chances of successfully defending the 5th Action. Hence, no provision has been made in the financial statements.

## 29. CAPITAL COMMITMENTS

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of unpaid capital contribution to an associate	<b>4,141</b>	5,584

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

# Notes to the Financial Statements

For the year ended 31 March 2003

## 30. 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	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
<b>Land and buildings</b>				
Within one year	<b>2,298</b>	3,294	<b>1,657</b>	1,657
In the second to fifth years inclusive	<b>1,365</b>	3,398	<b>1,036</b>	2,762
	<b>3,663</b>	6,692	<b>2,693</b>	4,419
<b>Vessels</b>				
Within one year	<b>—</b>	609	<b>—</b>	—
	<b>3,663</b>	7,301	<b>2,693</b>	4,419

Leases of land and buildings are negotiated for an average term of 3 years.

The comparative disclosures in relation to operating lease commitments have been revised to take into account a non-cancellable operating lease for land and buildings in the PRC and in conformity with the current year's presentation.

## 31. RETIREMENT BENEFITS SCHEMES

### Hong Kong

Prior to 12 June 2002, the Group maintained the defined contribution scheme registered under the Occupational Retirement Schemes Ordinance ("ORSO Scheme") and 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 ORSO Scheme was terminated in accordance with its terms and rules and the registration of the ORSO Scheme has been deleted from the Register of Occupational Retirement Schemes on 12 June 2002. The rights of the members and the assets of the ORSO Scheme corresponding to such rights have been transferred to the MPF Scheme.

# Notes to the Financial Statements

For the year ended 31 March 2003

## 31. RETIREMENT BENEFITS SCHEMES (Continued)

### Hong Kong (Continued)

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

The total contributions incurred in connection with the schemes for the year ended 31 March 2003 was approximately HK\$177,000 (2002: HK\$201,000) after deduction of forfeited contributions of approximately HK\$100,000 (2002: HK\$Nil). At 31 March 2003, there were no material forfeitures available to offset the Group's future contributions.

### The PRC

The Group also participates in a defined contribution retirement scheme organised by the government in the PRC. All employees of the Group in the PRC 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 contributions incurred in connection with the scheme for the year ended 31 March 2003 was approximately HK\$184,000 (2002: HK\$152,000). No forfeited contributions may be used by the employers to reduce the existing level of contributions.

## 32. EVENTS AFTER THE BALANCE SHEET DATE

The following significant events took place after 31 March 2003.

- (a) On 27 May 2003, Sincere Bonus Investment Limited ("Sincere Bonus"), the then substantial shareholder of the Company, which was wholly owned by Mr. Hon Ming Kong, entered into a sale and purchase agreement with Leopard Vision Limited ("Leopard Vision"). Pursuant to this agreement, Leopard Vision agreed to purchase and Sincere Bonus agreed to sell 255,548,242 ordinary shares of the Company at a consideration of HK\$18,000,000 which represented approximately HK\$0.07 per share. Leopard Vision is a company wholly owned by Mr. Wong Ching Ping, Alex ("Mr. Wong"). Upon the completion of this agreement on 27 May 2003, Leopard Vision became the new substantial shareholder of the Company and Mr. Wong was deemed to be interested in the same 255,548,242 ordinary shares held by Leopard Vision. Details of this transaction were set out in the Company's press announcement dated 28 May 2003.

# Notes to the Financial Statements

For the year ended 31 March 2003

## 32. EVENTS AFTER THE BALANCE SHEET DATE (Continued)

- (b) Pursuant to the special resolutions passed at a special general meeting held on 9 July 2003:
- (i) The paid up capital of each of the issued shares was reduced from HK\$0.10 to HK\$0.0001 each by the cancellation of HK\$0.0999 of the paid up capital on each issued share (the "Capital Reduction"). As a result of the Capital Reduction, based upon 1,521,541,315 issued shares, an amount of approximately HK\$152,002,000 from the share capital account of the Company was cancelled and credited to the contributed surplus account of the Company and applied in eliminating part of the accumulated losses.
  - (ii) Every 10 issued reduced shares of HK\$0.0001 each immediately after the Capital Reduction were consolidated into one new share of HK\$0.001 each (the "Share Consolidation").
  - (iii) Each authorised but unissued share of HK\$0.10 each in the capital of the Company (including the authorised but unissued shares arising from the Capital Reduction) was subdivided into 100 new shares of HK\$0.001 each (the "Share Subdivision"). Following the Capital Reduction, Share Consolidation and Share Subdivision, the authorised but unissued share capital and issued share capital of the Company became 299,847,845,869 and 152,154,131 new shares respectively.
- (c) Pursuant to the ordinary resolution passed at a special general meeting held on 9 July 2003, the issue by way of rights (the "Rights Issue") of 152,154,131 new shares (the "Rights Shares") of the Company at a price of HK\$0.30 per Rights Share was approved. The estimated net proceeds of the Rights Issue of approximately HK\$44,000,000 will be used for general working capital of the Group. Subject to all the conditions of the Rights Issue being fulfilled, the Rights Issue will become unconditional on 5 August 2003.
- (d) On 27 May 2003, OU Strategies, a wholly owned subsidiary of the Company, entered into a loan agreement with a lender for a loan of HK\$10,000,000 at a monthly interest rate of 3.5% to be repayable six months from the date of advance. The above loan was secured by 60% shareholding in United Asia, a subsidiary of the Company. United Asia is the holding company of Shanghai Fortune, Fortune Union and Shanghai United which are principally engaged in container depots and logistics management services.

# Notes to the Financial Statements

For the year ended 31 March 2003

## 32. EVENTS AFTER THE BALANCE SHEET DATE (Continued)

- (e) On 9 July 2003, Value Place Investments Limited, a wholly owned subsidiary of the Company, entered into an agreement with Allied Pacific Development Inc. to acquire 49% equity interest in Global Institute, Inc. at a consideration of HK\$16,000,000. Global Institute, Inc. is an investment holding company with a wholly owned subsidiary engaged in organising and provision of academic training programmes.

## 33. COMPARATIVE FIGURES

The comparative figures were audited by another firm of Certified Public Accountants in Hong Kong. Certain figures have been reclassified to conform with the current year's presentation.

## 34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 July 2003.