



Report of the Directors

The directors present herewith their report and the accounts of the Company for the year ended 31 March 2001.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed on 29 May 2000, the name of the Company was changed from “AWT Holdings Company Limited” to “401.com Limited”. The new name became effective on 6 June 2000.

PROPOSED CHANGE OF COMPANY NAME

The directors propose for shareholders’ approval that the name of the Company be changed to “401 Holdings Limited” at a special general meeting and the notice of which will be set out in a circular to be dispatched shortly to all shareholders.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2001 are set out in the accounts on page 32.

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2001.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 39 to the accounts.

RESERVES

The movement of the reserves during the year are set out in note 25 to the accounts.

DISTRIBUTABLE RESERVES

As at 31 March 2001, the Company did not have any reserves available for distribution. Nevertheless, the Company’s share premium account may be distributed in the form of fully paid bonus shares subject to the conditions as provided by the Companies Act 1981 of Bermuda (as amended).

FIXED ASSETS

The movements in the fixed assets during the year are set out in note 13 to the accounts.

SHARE CAPITAL AND OPTIONS

Details of the movements in the issued share capital of the Company during the year are set out in note 24 to the accounts.

Details of the Company's options outstanding at the year end date, granted and exercised during the year are also set out in note 24 to the accounts. Since the existing share option scheme adopted by the Company on 13 August 1998 will expire on 13 August 2001, the directors propose to adopt a new share option scheme at a special general meeting, the details of the new share option scheme and the notice convening the meeting will be set out in a circular to be dispatched shortly to all shareholders.

CONVERTIBLE DEBTS

Details of the convertible debts issued by the Group and the exercise of the conversion rights under the debts during the year are set out in note 23 to the accounts.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities on The Stock Exchange of Hong Kong Limited.

SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 March 2001 are set out in note 39 to the accounts.

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

The Group's bank loans, overdrafts and other borrowings as at 31 March 2001 were repayable over the following periods: —

	Bank loans and overdrafts	Other borrowings
	HK\$'000	HK\$'000
On demand or not exceeding one year	4,947	19,432
More than two years but not exceeding five years	<u>—</u>	<u>18,780</u>
	<u>4,947</u>	<u>38,212</u>

FIVE YEAR FINANCIAL SUMMARY

The following table summarises the results, assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements of the Group and reclassified as appropriate: —

	Year ended 31 March				
	2001	2000	1999	1998	1997
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Results					
Turnover	<u>165,343</u>	<u>58,079</u>	<u>221,549</u>	<u>905,584</u>	<u>498,531</u>
Operating loss	(212,921)	(43,549)	(99,466)	(523,729)	(75,084)
Share of loss of associates	<u>(973)</u>	<u>—</u>	<u>(65)</u>	<u>(853)</u>	<u>—</u>
Loss before taxation	(213,894)	(43,549)	(99,531)	(524,582)	(75,084)
Taxation (charge)/credit	<u>(2,541)</u>	<u>(7)</u>	<u>(509)</u>	<u>(2,118)</u>	<u>350</u>
Loss after taxation	(216,435)	(43,556)	(100,040)	(526,700)	(74,734)
Minority interests	<u>14,778</u>	<u>(6)</u>	<u>12,089</u>	<u>(843)</u>	<u>295</u>
Loss attributable to the shareholders	<u>(201,657)</u>	<u>(43,562)</u>	<u>(87,951)</u>	<u>(527,543)</u>	<u>(74,439)</u>
Assets and liabilities					
Total assets	98,465	185,733	121,702	241,419	480,660
Total liabilities and minority interests	<u>80,973</u>	<u>142,839</u>	<u>328,762</u>	<u>385,396</u>	<u>265,879</u>
Net assets/(liabilities)	<u>17,492</u>	<u>42,894</u>	<u>(207,060)</u>	<u>(143,977)</u>	<u>214,781</u>

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2001, the five largest suppliers in aggregate accounted for approximately 42% of the purchases of the Group and the largest supplier accounted for approximately 23% of the purchases of the Group. The five largest customers in aggregate accounted for approximately 24% of the turnover of the Group and the largest customer of the Group accounted for approximately 12% of the turnover of the Group for the year ended 31 March 2001.

As far as the directors of the Company are aware, none of the directors of the Company, their respective associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")), and shareholders of the Company owned more than 5% of the Company's share capital had an interest in any of the Group's five largest suppliers or customers of the Group for the year ended 31 March 2001.

DIRECTORS

The directors who held office during the year and up to the date of this report were: —

Executive directors: —

Chan Sing Fai (*Chairman*)

Leung Tze Hang, David (*Managing Director*)

Fong Chun Fat

Law Chuen Lam, Edward

Au-Yeung Yok Cho

Po Kam Hi, John

— appointed on 9 October 2000

Chan Wing Fai

— appointed on 9 October 2000

Lee Ying Wah, Alfred Augustine

— alternate to Law Chuen Lam, Edward,
appointed on 1 June 2001

Li Meisheng

— resigned on 3 October 2000

Non-executive director: —

Ha Kee Choy, Eugene

— resigned on 26 September 2000 and
re-appointed on 13 March 2001

Independent non-executive directors: —

Leung Ka Kui, Johnny

Koo Tsang Hoi

DIRECTORS (continued)

In accordance with Bye-law 99(A) (supplemented by Bye-law 182(ii)) of the Company's Bye-laws, Mr. Leung Tze Hang, David and Mr. Fong Chun Fat will retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election as executive directors of the Company.

In accordance with Bye-law 102(B) of the Company's Bye-laws, Mr. Po Kam Hi, John and Mr. Chan Wing Fai will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election as executive directors of the Company.

In accordance with Bye-law 90 of the Company's Bye-laws, Mr. Lee Ying Wah, Alfred Augustine will retire at the forthcoming Annual General Meeting and, being eligible, offer himself for re-election as an alternate director to Mr. Law Chuen Lam, Edward.

In accordance with Bye-law 102(B) of the Company's Bye-laws, Mr. Ha Kee Choy, Eugene will retire at the forthcoming Annual General Meeting and, being eligible, offer himself for re-election as a non-executive director of the Company.

PARTICULARS OF DIRECTORS**Executive directors**

Mr. Chan Sing Fai, aged 44, Chairman of the Company, has set up his own investment company from 1998 after 16 years of service from Jones Lang Wootton. Mr. Chan holds a master degree in business administration from the Chinese University of Hong Kong.

Mr. Leung Tze Hang, David, aged 45, Managing Director of the Company, has over 20 years of experience in property development and investment. Mr. Leung holds a bachelor of science degree in civil engineering from the University of Leeds in United Kingdom.

Mr. Fong Chun Fat, aged 55, joined the Group in 1972 and has over 35 years of experience in the freight forwarding business and has established extremely good relationships with airlines, shipping companies and overseas agents as well as local freight forwarding companies.

Mr. Law Chuen Lam, Edward, aged 39, joined the Group in 1996. Mr. Law holds a degree in hotel management from the University of Hawaii. After serving the Hyatt Hotel group in Hong Kong, Macau and Mainland China, Mr. Law joined Jones Lang Wootton. Prior to joining the Group, Mr. Law has acquired over 12 years of experience in the property services and hotel management.

PARTICULARS OF DIRECTORS (continued)**Executive directors (continued)**

Mr. Au-Yeung Yok Cho, aged 49, joined the Group in 1986 and has more than 27 years of experience in the shipping industry and freight forwarding business.

Mr. Po Kam Hi, John, aged 45, joined the Group in 1996. Mr. Po holds a master degree in business administration from the University of East Asia. Mr. Po has over 24 years of experience in materials planning, procurement and logistics management. Mr. Po has been the founding member and current president of International Procurement Management Association of Hong Kong Limited since 1989.

Mr. Chan Wing Fai, aged 34, joined the Group in 2000. Mr. Chan has over 10 years of experience in the property sector and has established a strong network with building owners and tenants. Mr. Chan holds a bachelor of science degree in land management from the Hong Kong Polytechnic University.

Mr. Lee Ying Wah, Alfred Augustine, aged 44, joined the Group in 1997. Mr. Lee holds a diploma in petroleum engineering from the Southern Alberta Institute of Technology and has worked for a major oil company in Canada. Since returning to Hong Kong in 1990, Mr. Lee has been actively involved in the field of project management as well as property management.

Non-executive director

Mr. Ha Kee Choy, Eugene, aged 44, has over 13 years of experience in finance and banking industry. He is a fellow of the Association of Chartered Certified Accountants and The Taxation Institute of Hong Kong. Mr. Ha holds a master degree in business administration.

Independent non-executive directors

Mr. Leung Ka Kui, Johnny, aged 43, is a qualified solicitor and is a Notary Public and China Appointed Attesting Officer. He has over 16 years of experience in legal field and is the senior partner of Messrs. Johnny K.K. Leung & Co., Solicitors and Notaries. Mr. Leung holds a bachelor of laws degree from the University of London.

Mr. Koo Tsang Hoi, aged 45, is a practising solicitor. He has over 11 years of experience in the legal field and is a partner of Messrs. T.H. Koo and Associates, Solicitors. Mr. Koo holds a bachelor degree in social science awarded by the Chinese University of Hong Kong. He is also a visiting lecturer of the Hong Kong Polytechnic University and the Training Centre of the Bank of China Group.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation other than statutory compensation, except for Messrs. Leung Tze Hang, David, Fong Chun Fat, Po Kam Hi, John and Chan Wing Fai, who have entered into service agreements with the Company as executive directors. The Company may terminate the agreements by serving twenty-four months' prior written notice to the respective parties.

DIRECTORS' INTERESTS IN CONTRACTS

Except for as disclosed under the heading "Connected Transactions" on pages 22 to 23 and "Related Party Transactions" in note 35 to the accounts, no other contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party, and in which any director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

PARTICULARS OF SHARES HELD BY DIRECTORS, CHIEF EXECUTIVES AND ASSOCIATES

As at 31 March 2001, the directors, chief executives and their associates had the following interests in the share capital of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the “SDI Ordinance”)) which require notification pursuant to Section 28 of the SDI Ordinance or the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) or as recorded in the register maintained pursuant to Section 29 of the SDI Ordinance: —

(a) **The Company**

	Number of ordinary shares beneficially held	
	Personal interest	Corporate interest
Chan Sing Fai	165,275,000	566,666,667 <i>(Note 1)</i>
Leung Tze Hang, David	63,386,435	—
Fong Chun Fat	40,452,000	8,586,150 <i>(Note 2)</i>
Law Chuen Lam, Edward	22,108,065	—
Au-Yeung Yok Cho	10,173,125	—
Po Kam Hi, John	12,335,000	—

PARTICULARS OF SHARES HELD BY DIRECTORS, CHIEF EXECUTIVES AND ASSOCIATES (continued)

(b) Total Logistics Services Limited

	Number of ordinary shares beneficially held	
	Personal interest	Corporate interest
Po Kam Hi, John	—	4,004,800 (Note 3)

Notes:

1. These shares are registered in the name of Golden Jade Holdings Limited which is wholly owned by Mr. Chan Sing Fai and his spouse.
2. These shares are registered in the name of Bedford Star Limited. Mr. Fong Chun Fat and his family are eligible objects of a discretionary trust of which Bedford Star Limited is acting as a trustee.
3. Total Logistics Services Limited is a subsidiary of the Company. These shares are registered in the name of New Mileage Limited which is wholly owned by Mr. Po Kam Hi, John.

Save as disclosed above, none of the directors, chief executives or their associates had any beneficial or non-beneficial interests in the share capital of the Company or its associated corporation required to be disclosed pursuant to the SDI Ordinance and the Model Code.

DIRECTORS' AND CHIEF EXECUTIVES' BENEFITS FROM RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Under the share option scheme adopted by the Company on 13 August 1998 (the "Option Scheme"), the directors of the Company may, at their discretion, invite employees and directors of the Group, to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated therein. The share options granted pursuant to the Option Scheme (the "Share Options") are exercisable within any time after 3 months from respective dates of acceptance up to (i) 3 years from respective dates of acceptance of the Share Options or (ii) a period of 6 months following the date of ceasing to be the eligible employees of the Group by the grantees, whichever date is earlier.

No Share Options were exercised by the directors of the Company during the year.

DIRECTORS' AND CHIEF EXECUTIVES' BENEFITS FROM RIGHTS TO ACQUIRE SHARES OR DEBENTURES (continued)

Details of the Share Options granted to the directors of the Company during the year ended 31 March 2001 pursuant to the Option Scheme are as follows:

Directors	Date of grant	Exercise price	Number of shares to be issued upon exercise of the Share Options		
			Balance at 1 April 2000	Granted during the year	Balance at 31 March 2001
Chan Sing Fai	5 June 2000	HK\$0.046	—	130,000,000	130,000,000
Leung Tze Hang, David	5 June 2000	HK\$0.046	—	130,000,000	130,000,000
Fong Chun Fat	5 June 2000	HK\$0.046	—	50,000,000	50,000,000
Law Chuen Lam, Edward	5 June 2000	HK\$0.046	—	90,000,000	90,000,000
Au-Yeung Yok Cho	5 June 2000	HK\$0.046	—	50,000,000	50,000,000
Chan Wing Fai	21 January 2000	HK\$0.188	40,000,000	—	40,000,000
	5 June 2000	HK\$0.046	—	20,000,000	20,000,000
Li Meisheng	5 June 2000	HK\$0.046	—	50,000,000	50,000,000

(Note)

Note: These Share Options had lapsed on 2 April 2001 which is the date of the expiration of 6 months after the date of resignation from the Group of Mr. Li Meisheng.

In addition, the option to subscribe 666,666,667 new ordinary shares of the Company at HK\$0.015 each granted to Golden Jade Holdings Limited (“GJH”), which is wholly-owned by Mr. Chan Sing Fai and his spouse, pursuant to a placing agreement entered into by the Company and GJH on 12 November 1999 had lapsed on 13 January 2001.

Apart from the above, at no time during the year 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

The register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that no shareholders were interested in 10% or more of the issued share capital of the Company as at 31 March 2001.

CONNECTED TRANSACTIONS

1. On 14 April 2000, the Company, AWT World Transport (Far East) Limited (“Far East”), a subsidiary of the Company, and Plexton International Limited (“Plexton”), an independent party of the Group, reached a standstill arrangement and entered into a settlement agreement in which the Company agreed to settle the outstanding debts, which as at 29 February 2000 were HK\$5,117,821, due by Far East to Sin Hua Bank which had assigned the debts to Plexton, by the issue of 232,628,210 new ordinary shares of the Company at a price of HK\$0.022 per share.

As at the date of the settlement agreement, Far East was owned as to 40% by two executive directors of the Company, namely Messrs. Fong Chun Fat and Au-Yeung Yok Cho and two former directors and chief executives of Far East, namely Messrs. Ng Kwai Cheong and Chiu Kam Shing, Dick, and two former chief executives of AWT World Transport Group Limited, the immediate holding company of Far East, namely Messrs. Michael Lee and Stanley Chee Lee, the settlement agreement with Plexton constituted a connected transaction for the Company under the Listing Rules and required, amongst other things, the independent shareholders’ approval which had been obtained at a special general meeting held on 29 May 2000 and the settlement agreement was completed on 13 June 2000.

2. On 9 May 2000, the Company entered into a conditional agreement for the acquisition (the “Acquisition Agreement”) from New Mileage Limited (“New Mileage”) and Mr Po Kam Hi, John (“Mr Po”) of an aggregate of 60% interest of a company, Total Logistics Services Limited (“TLS”) for a consideration of HK\$15,000,000. The consideration was satisfied by the issue of 100,000,000 new ordinary shares of the Company at a price of HK\$0.15 per share.

On 16 June 2000, the Company entered into a facility agreement (the “Facility Agreement”) with TLS. Pursuant to the Facility Agreement, the Company agreed to make available a demand secured facility of up to HK\$30 million for the general working capital purpose of TLS upon completion of the Acquisition Agreement.

As at the dates of the Acquisition Agreement and the Facility Agreement, New Mileage was ultimately owned as to approximately 66.66% and 33.34% by Mr. Po and Mr. Tsang Chun Pong respectively. Mr. Tsang Chun Pong was an independent party of the Group while Mr. Po was a director of 401 Movers Limited, a wholly-owned subsidiary of the Company, within 12 months preceding the date of the agreements and Mr. Leung Tze Wong, Thomas, who is the beneficial owner of Active Water Technology Company Limited (40% owned by TLS), is the brother of Mr. Leung Tze Hang, David, the Managing Director of the Company. The Acquisition Agreement and the Facility Agreement constituted connected and major transactions of the Company under the Listing Rules and independent shareholders’ approval was obtained at a special general meeting held on 20 July 2000. The Acquisition Agreement and the Facility Agreement were completed on 28 July 2000.

CONNECTED TRANSACTIONS (continued)

Saved as disclosed above, the directors confirmed that there is no other significant connected transaction entered into by the Group for the year ended 31 March 2001.

MAJOR EVENTS DURING THE YEAR

Save as disclosed under the headings “Connected Transactions” on page 22 to 23, the following are the major events occurred during the year: —

- (a) On 3 April 2000, the Company entered into a conditional agreement for the purchase of 850,000 ordinary shares of the property portal! Limited (formerly known as Point Property.com Limited, “PP.com”) which was approximately 12.24% of the then issued ordinary share capital of PP.com, from Wired Technology Consultants Group Limited, Unicrown Limited, Cyber Exposures Limited, Galaxy Luck Enterprises Limited, Newsino Limited and Denwell Enterprises Limited (collectively the “Vendors”), independent parties of the Group. In consideration of the transfer of the shares in PP.com to the Company, the Company paid the Vendors a total of HK\$30,000,000 in cash and HK\$37,790,769 by the issue of 279,931,622 new ordinary shares of the Company at HK\$0.135 per share.

The transaction constituted a major transaction under the Listing Rules and approval of the shareholders of the Company was obtained at a special general meeting held on 20 July 2000 and the transaction was completed on 28 July 2000.

- (b) On 6 April 2000, the Company entered into a placing agreement with Kingston Securities Limited, Kingsway SW Securities Limited and e2-Capital Limited as placing agents and underwriters for placing a total of 222,222,223 new ordinary shares of the Company at a price of HK\$0.135 per share to not less than 6 independent third parties. The net proceeds, after the placing cost, of approximately HK\$27.3 million together with the balance of approximately HK\$2.7 million from the internal resources were used to purchase 850,000 shares of the property portal! Limited and the new ordinary shares of the Company under this placing were issued on 16 May 2000.
- (c) On 14 April 2000, the Company and Kingsway Capital Limited (“Kingsway”), an independent party of the Group, reached a standstill arrangement and entered into a settlement agreement to settle the professional fee due by the Company to Kingsway, which as at 29 February 2000 was HK\$1,200,000. Pursuant to the settlement agreement, the Company agreed to issue 30,000,000 new ordinary shares of the Company at HK\$0.022 each to satisfy the debt of HK\$660,000 and Kingsway agreed to waive the balance of HK\$540,000 upon completion of the settlement agreement which took place on 16 May 2000.

MAJOR EVENTS DURING THE YEAR (continued)

- (d) On 14 April 2000, the Company, AWT Realty Limited (“Realty”) and 401 Concept Mall Development Limited (“401 Concept”) (both being wholly-owned subsidiaries of the Company) and Kenneth Ko Designs Limited (“KK Designs”), an independent party of the Group, reached a standstill arrangement and entered into a settlement agreement to settle the debt due by Realty and 401 Concept to KK Designs, which as at 29 February 2000 was HK\$4,312,687. Pursuant to the settlement agreement, the Company agreed to issue 98,015,613 new ordinary shares at a price of HK\$0.022 each to satisfy the debt of HK\$2,156,343 and KK Designs agreed to waive the balance of HK\$2,156,344 upon completion of the settlement agreement which took place on 16 May 2000.
- (e) On 14 April 2000, the Company and World Class Group Limited (“World Class”), an independent party of the Group, reached a standstill arrangement and entered into a settlement agreement to settle the outstanding debts due to World Class by the Company, which as at 29 February 2000 were HK\$1,885,139, by the issue of 85,688,155 new ordinary shares at a price of HK\$0.022 per share. The settlement agreement was completed on 16 May 2000.
- (f) On 14 April 2000, the Company, AWT Realty Limited (“Realty”) and Lucky Regent International Limited (“LRI”) (both wholly-owned subsidiaries of the Company) and Win Eastern Limited (“WEL”), an independent party of the Group, reached a standstill arrangement and entered into a settlement agreement to settle the outstanding debts due to WEL by Realty and LRI, which as at 29 February 2000 were HK\$4,375,242, by the issue of 198,874,639 new ordinary shares at a price of HK\$0.022 per share and such shares were issued on 16 May 2000.
- (g) On 14 April 2000, the Company, Pioneer Glory Properties Ltd. (“PG”) (a wholly-owned subsidiary of the Company) and Giant Step Investments Limited (“Giant Step”), an independent party of the Group, reached a standstill arrangement and entered into a settlement agreement to settle the outstanding debts due to Giant Step by PG, which as at 29 February 2000 were HK\$8,714,304, and the details are as follows: —
- (1) cash payment of HK\$871,430
 - (2) issue of 158,441,884 new ordinary shares at a price of HK\$0.022 per share to satisfy debt of HK\$3,485,722
 - (3) HK\$4,357,152 was waived by Giant Step.

The settlement agreement was completed on 16 May 2000.

MAJOR EVENTS DURING THE YEAR (continued)

- (h) On 26 May 2000, the Company, Eagle Palace Limited (“EPL”), a wholly-owned subsidiary of the Company, and Cheung Tai Hong Holdings (Superstore) Limited (“CTH”), an independent party of the Group, reached a standstill arrangement and entered into a settlement agreement in which the Company agreed to issue 7,618,467 new ordinary shares at a price of HK\$0.20 per share to settle the outstanding debts due to CTH by EPL, which as at 29 February 2000 were HK\$1,523,693. The settlement agreement was completed on 20 June 2000.
- (i) On 26 May 2000, the Company and Goldenluck Enterprises Limited (“Goldenluck”), an independent party of the Group, reached a standstill arrangement and entered into a settlement agreement to settle a liquidated damage claim, which as at 29 February 2000 was HK\$5,000,000, in respect of cancellation of a pre-sale agreement for the purchase of two flats in Shanghai at a consideration of US\$1,291,165. Pursuant to the settlement agreement, 25,000,000 new ordinary shares were issued by the Company at a price of HK\$0.20 each to fully settle the claim of HK\$5,000,000. The settlement agreement was completed on 20 June 2000.
- (j) On 26 May 2000, the Company, AWT Realty Limited (“Realty”), 401.com (China) Limited (formerly known as AWT Realty (China) Limited) (“China”) and AWT Realty (Yau Tsim Mong) Limited (“Yau Tsim Mong”), all wholly-owned subsidiaries of the Company, and Great Mark Investment Group Limited (“Great Mark”), an independent party of the Group, reached a standstill arrangement and entered into a settlement agreement to settle the outstanding debts due to Great Mark by China and Yau Tsim Mong which as at 29 February 2000 were HK\$12,843,923. Pursuant to the settlement agreement, the Company agreed to issue 60,000,000 new ordinary shares at a price of HK\$0.20 per share to satisfy the debt of HK\$12,000,000 and the remaining balance of HK\$843,923 was waived by Great Mark upon completion of the settlement agreement on 20 June 2000.
- (k) On 26 May 2000, the Company, AWT Realty Limited, a wholly-owned subsidiary of the Company, and Guthrie Regency Pte Limited, an independent party of the Group, reached a standstill arrangement and entered into a settlement agreement to settle a liquidated damage claim, which as at 29 February 2000 was HK\$7,240,000 (S\$1,600,000), in respect of an undertaking made by AWT Realty Limited. Pursuant to the settlement agreement, the Company agreed to issue 36,200,000 new ordinary shares at a price of HK\$0.20 per share to fully settle the claim. The settlement agreement was completed on 20 June 2000.

MAJOR EVENTS DURING THE YEAR (continued)

- (l) On 27 July 2000, the Company entered into an agreement (the “Subscription Agreement”) with NSB International Limited (“NSB”). Pursuant to the Subscription Agreement, the Company agreed to subscribe for 250 new shares of HK\$1.00 each in the share capital of NSB at a consideration of HK\$20,000,000 which was satisfied by the issue of 200,000,000 new ordinary shares in the Company at a price of HK\$0.1 each (“Subscription”). The Company was also granted an option to subscribe for shares equal to 5% of the enlarged issued share capital of NSB at any time within 2 years from the date of completion of the Subscription at a price to be agreed between the Company and NSB. The Subscription Agreement was completed on 18 August 2000.
- (m) On 1 September 2000, the Company entered into an agreement (the “Subscription Agreement”) with Iswapnet Hong Kong Limited (“ISN”). Pursuant to the Subscription Agreement, the Company agreed to subscribe for 20 new shares of HK\$1.00 each in the share capital of ISN at a consideration of HK\$5,000,000 which was satisfied by the issue of 100,000,000 new ordinary shares in the Company at a price of HK\$0.05 each (“Subscription”). The Company was also granted an option to subscribe for shares equal to 10% of the enlarged issued share capital of ISN at any time within 2 years from the date of completion of the Subscription at a price to be agreed between the Company and ISN. The Subscription Agreement was completed on 12 September 2000.
- (n) Pursuant to a subscription agreement entered into by the Company and Golden Jade Holdings Limited (“GJH”), a company beneficially owned by Mr. Chan Sing Fai, Chairman of the Company and his spouse on 14 September 2000, 500,000,000 new ordinary shares at an issue price of HK\$0.02 each were issued to GJH on 26 September 2000. These shares were issued upon the completion of a placing agreement dated 14 September 2000 entered into by GJH and Kingsway SW Securities Limited as the placing agent for the placing of 500,000,000 existing ordinary shares of the Company registered in the name of GJH to not less than 6 independent placees. The net proceeds from the subscription, after the placing cost, of approximately HK\$9.5 million are being used by the Group as general working capital for its freight forwarding and logistics operations.
- (o) On 12 December 2000, the Company entered into 7 subscription agreements with 7 investors, who are independent parties of the Group (the “Subscribers”), all on substantially the same terms. Pursuant to which the Company agreed to issue a series of convertible bonds in an aggregate principal amount of HK\$10,000,000 to the Subscribers with conversion rights to convert into ordinary shares of HK\$0.01 each in the share capital of the Company at a conversion price of HK\$0.016 per ordinary share, subject to adjustment. The net proceeds from the subscription of the convertible bonds are being used for the Group’s general working capital and the Group’s freight forwarding and logistics businesses. The agreements were completed on 29 December 2000.

MAJOR EVENTS DURING THE YEAR (continued)

- (p) On 18 January 2001, AWT Investment Company Limited (“AIC”), a wholly-owned subsidiary of the Company and Topsmart Investment Limited (the “Vendor”) entered into an agreement pursuant to which AIC agreed to purchase Store Nos. 3, 3A, 33, 33A, 35A, 35B, 36, 48, 53, 53A, 69 of Causeway Bay Ginza, Basement of 509 Jaffe Road, Hong Kong for a consideration of HK\$6,600,000 which was satisfied by the Company by the issue and allotment of 660,000,000 new ordinary shares in the Company of HK\$0.01 per share, credited as fully paid at HK\$0.01 each to the Vendor. The agreement was completed on 15 February 2001.
- (q) Pursuant to a subscription agreement entered into between the Company and Mr. Chan Sing Fai, Mr. Leung Tze Hang, David and Mr. Law Chuen Lam, Edward, all being directors of the Company (together the “Vendors”), on 30 January 2001, an aggregate of 800,000,000 new ordinary shares at an issue price of HK\$0.01 each were issued to the Vendors on 12 February 2001. These shares were issued upon the completion of a placing agreement dated 30 January 2001 entered into by the Vendors and Kingston Securities Limited as the placing agent for placing a total of 800,000,000 existing ordinary shares at a price of HK\$0.01 per share to not less than 6 independent places. The net proceeds from the subscription, after the placing cost, of approximately HK\$7.6 million are being used by the Group for its freight forwarding operations, logistics operations and as general working capital.
- (r) On 16 March 2001, the Company (as warrantor), Lucky Regent International Limited, a wholly-owned subsidiary of the Company (as purchaser, “LRI”) and Silver Bound Capital Limited (the “Vendor”) entered into an agreement pursuant to which LRI agreed to purchase Units B4*, C4, and D4 on Basement of Block 4 (*with one machine room of Block 4 and the lavatories on Ground Floor of Block 4 and the lift shaft and lift therein installed from Basement Floor to Ground Floor together with all necessary accessories and equipment), Kwun Tong Industrial Centre, Nos. 436–446 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong for a consideration of HK\$8,000,000 which was satisfied by the issue of 800,000,000 new ordinary shares in the Company of HK\$0.01 per share, credited as fully paid at HK\$0.01 each to the Vendor. The agreement was completed on 7 May 2001.

NUMBER OF EMPLOYEES, REMUNERATION POLICIES AND SHARE OPTION SCHEME

Including the directors of the Company, as at 31 March 2001, the Group employed a total of 121 full-time employees. Remuneration packages comprised salary and year-end bonuses based on individual merits.

The Company has adopted a share option scheme with details stated under the heading of “Directors’ and Chief Executives’ Benefits from rights to acquire Shares or Debentures”. During the year, a total of 782,000,000 share options were granted to the employees under the scheme and 14,000,000 share options had lapsed in accordance with the terms of the option scheme as the grantees ceased to be entitled to hold those options and as at 31 March 2001, 862,000,000 share options were outstanding.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

During the year ended 31 March 2001, the Code of Best Practice has been complied with by the Company except that non-executive directors are not appointed for a specific term as recommended under Appendix 14 of the Listing Rules. According to the Bye-laws of the Company, non-executive directors of the Company will retire by rotation every year and their appointments will be reviewed when they are due for re-election. In the opinion of the Company, this meets the same objectives of the Code of Best Practice.

DISCLOSURE UNDER PRACTICE NOTE 19 OF THE LISTING RULES

The following information is disclosed in accordance with Practice Note 19 of the Listing Rules: —

- (a) As at 31 March 2001, the Group has an outstanding shareholder’s loan balance with accrued interest of approximately HK\$10,343,000 (the “Loan”) due by AWT Shipping Limited (“AWT Shipping”), a company which was previously 50% owned with the control of the composition of its board of directors by the Group. AWT Shipping is engaged in shipping business and the Loan was made for development of its business when it was a subsidiary of the Company. The Loan is unsecured and bears interest at 1% per month on remaining principal balance and is repayable to the Group by 6 monthly instalments from March 2001 onwards.

DISCLOSURE UNDER PRACTICE NOTE 19 OF THE LISTING RULES (continued)

As at 31 March 2001, a fixed deposit of the Company amounting to approximately HK\$5,980,000 was pledged to a bank as a security for guarantee granted by the bank on behalf of AWT Shipping to a leasing company to the extent of US\$755,000 (the "Guarantee"). The Guarantee was arranged when AWT Shipping was a subsidiary of the Group. The Company will release the Guarantee by the end of year 2001. As at 31 March 2001, the facilities utilized by AWT Shipping was approximately HK\$955,000.

- (b) As at 31 March 2001, the Group has an outstanding advances with accrued interest of approximately HK\$14,696,000 (the "Advance") due by NSB International Limited ("NSB"), a company in which the Group holds 9% interest as a long-term investment. NSB and its subsidiaries are principally engaged in cyber media and related business and the Advance was made to NSB to develop and expand this business. The Advance is unsecured, bears an interest rate of 1% per month and is repayable on demand.

Due to the cooling down of the internet business, there is doubtful on the recoverability of the Advance, full provision was made in the accounts.

AUDITORS

PricewaterhouseCoopers resigned from the office of joint auditors of the Group on 13 October 1998. Graham H.Y. Chan & Co. has remained the Group's auditors from that date.

Apart from the foregoing, there were no other changes in auditors of the Group in any of the preceding three years.

A resolution to reappoint the retiring auditors, Graham H.Y. Chan & Co. will be put at the forthcoming annual general meeting.

On behalf of the Board

Chan Sing Fai
Chairman

Leung Tze Hang, David
Managing Director

Hong Kong, 24 July 2001