

Notes to the Condensed Financial Statement

For the twelve months ended 30 June 2001

1. ACCOUNTING POLICIES

The interim report has been prepared in accordance with Statements of Standard Accounting Practice No.25 “Interim financial reporting” issued by the Hong Kong Society of Accountants (“SSAP 25”), and Appendix 16 of the Listing Rule of The Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended 30 June 2000, except the Group has adopted the new and revised SSAPs which became effective 1 January 2001.

In accordance with the new SSAP 30 “Business Combinations”, goodwill on acquisitions occurring on or after 1 January 2001 is being written off directly to the profit and loss account in the year of acquisition. This is a change in accounting policy as in previous years goodwill on acquisitions was written off directly to reserves in the year of acquisition. In accordance with a transitional provision under SSAP 30, no retrospective adjustment to the goodwill previously written off to reserves is required.

Certain comparative figures have been reclassified to conform with the current period’s presentation.

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2. SEGMENT INFORMATION

The Group's turnover and contribution to profit/(loss) from operations for the twelve months ended 30 June 2001 analysed by business segments and geographical segments are as follows:

	Turnover		Contribution	
	Twelve months ended	Twelve months ended	Twelve months ended	Twelve months ended
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	June 30	June 30	June 30	June 30
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000

Business segments

Construction, equipment

rental and services	322,887	632,088	(32,390)	(45,728)
Trading	11,051	2,339	(1,989)	(7,732)
Internet Business	407	—	(1,648)	—
Investment holding	6,063	—	(199,232)	(118,669)
	<u>340,408</u>	<u>634,427</u>	<u>(235,259)</u>	<u>(172,129)</u>

Geographical segments

Singapore	331,995	627,237	(31,874)	(93,278)
Malaysia	859	2,467	(160)	610
Myanmar	970	4,593	(663)	(6,017)
Hong Kong	6,470	—	(202,590)	(73,464)
Others	114	130	28	20
	<u>340,408</u>	<u>634,427</u>	<u>(235,260)</u>	<u>(172,129)</u>

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3. DEPRECIATION

During the period, the loss from operations is arrived at after charging the depreciation of HK\$24.2 million (2000: HK\$34.4 million), of which HK\$22.8 million (2000: HK\$31.2 million) was included in Cost of Sales.

4. TAXATION

No provision for Hong Kong and overseas profits tax is required as the group had no assessable profits for the period. The tax charge in the profit and loss account represented underprovision in prior years for its overseas subsidiaries.

5. LOSS PER SHARE

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

	Twelve months ended	
	(Unaudited)	(Audited)
	30 June	30 June
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period for the purposes of basic loss per share	<u>(243,562)</u>	<u>(173,125)</u>
Number of shares	'000	'000
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>925,397</u>	<u>727,543</u>

The calculation of basic loss per share is based on the net loss of HK\$243,562,000 (2000:HK\$173,125,000) attributable to shareholders for the period divided by the weighted average number of 925,397,228 (2000: 727,543,130) ordinary shares in issue after adjusting for the consideration shares issue, rights shares issue together with bonus shares issue by the Company on 16 February 2001 and 6 June 2001 respectively.

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A total of 124,220,194 rights shares was issued at HK\$0.40 per rights share on the basis of one rights share for every eight existing share together with the issue of 372,660,582 new shares on the basis of three bonus shares for every one rights share taken up. As the rights issue did not include a bonus element, no adjustment factor has been applied in the calculation of the weighted average number of ordinary shares in the period under review and the prior year basic loss per share accordingly.

6. DEBTORS AND PREPAYMENTS

	(Unaudited)	(Audited)
	30 June	30 June
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	36,667	121,554
31-60 days	3,603	3,570
61-90 days	4,562	2,888
Over 90 days	59,975	50,711
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	104,807	178,723
Other debtors and prepayments	30,278	23,754
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	135,085	202,477
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The general credit term is 30 days.

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7. CREDITORS AND ACCRUED CHARGES

	(Unaudited)	(Audited)
	30 June	30 June
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	28,934	99,197
31-60 days	4,633	24,917
61-90 days	6,756	13,199
Over 90 days	137,832	131,201
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	178,155	268,514
Other creditors and accrued charges	57,956	100,947
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	236,111	369,461
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8. SHARE CAPITAL

	30 June	30 June
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Authorized:</i>		
4,000,000,000 ordinary shares of HK\$0.40 each (2000: 1,000,000,000 ordinary shares of HK\$0.40 each)	1,600,000	400,000
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<i>Issued and fully paid:</i>		
1,490,642,334 ordinary shares of HK\$0.40 each (2000: 831,261,558 ordinary shares of HK\$0.40 each)	596,257	332,504
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The movements in the issued share capital in the interim period are as follows:-

	30 June 2001	30 June 2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Beginning balance	332,504	277,087
Allotment during the period	65,000	55,417
Rights share issue during the period	49,689	—
Bonus share issue during the period	149,064	—
	<u>596,257</u>	<u>332,504</u>

During the period, the followings changes in the authorized and issued share capital of the Company took place:

- a) On 12 February 2001, as part of the consideration for the acquisition of a group of companies which principally engaged in internet-based e-commerce activities, providing software solutions consultancy and internet services, the Company allotted and issued 162,500,000 shares of HK\$0.40 each, credited as fully paid.
- b) Pursuant to a resolution passed on a extraordinary general meeting dated 22 February 2001, the authorized share capital of the Company was increase from HK\$400,000,000 to HK\$1,600,000,000 by the creation of an additional 3,000,000,000 ordinary shares of HK\$0.40 each.
- c) Pursuant to a resolution passed on a extraordinary general meeting dated 14 May 2001, a total of 124,220,194 rights shares of HK\$0.40 per rights share on the basis of one rights share for every eight existing share together with 372,660,582 new shares on the basis of three bonus shares for every one rights share taken up to be allotted and issued to the existing shareholders. The rights share issue together with the bonus share issue had been allotted and issued on 6 June 2001.

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9. CONTINGENT LIABILITIES

	(Unaudited)	(Audited)
	30 June	30 June
	2001	2000
	HK\$'000	HK\$'000
(a) Guarantee facilities	65,400	68,428
(b) Performance bonds	40,791	41,343
	<u>106,191</u>	<u>109,771</u>

10. COMMITMENTS

(a) Funding commitment

In accordance with a shareholders' agreement entered into between a subsidiary and a company incorporated in Singapore of which the Group holds 4.17% (2000: 4.17%) of the equity share capital, the subsidiary may be required to provide further funding of US\$3,450,000 or HK\$26,906,550 (2000:US\$3,450,000 or HK\$26,910,000) to that company for working capital purposes.

(b) Assets under fixed and floating charges

At 30 June 2001, certain subsidiaries of the Group collectively:

- (i) obtained a guarantee facility amounting HK\$107,100,000 or S\$25,000,000 (2000:HK\$112,847,500 or S\$25,000,000) from a financial institution to provide the issuance of guarantees. One of the terms of the guarantee facility is that two subsidiaries are required to comply with certain financial covenants, the financial institution has confirmed in writing that all existing guarantees issued on behalf of the Group will not be withdrawn.

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- (ii) obtained a trade credit facility amounting to HK\$107,100,000 or S\$25,000,000 (2000:HK\$112,847,500 or S\$25,000,000) from its major supplier.

The above facilities are secured by debentures comprising fixed and floating charges over all assets of the respective subsidiaries.

11. ACQUISITION OF A SUBSIDIARY

On 15 January 2001, the Company, through its wholly owned subsidiary acquired the entire issued share capital of Marketspace Commerce International Holding Limited ("MCIH") for a total consideration of HK\$68 million satisfied by HK\$3 million in cash and the issue of 162,500,000 new shares at HK\$0.40 each in the Company.

The following summarises the effect of the acquisition:

	(Unaudited)
	30 June 2001
	<i>HK\$'000</i>
Net assets acquired	775
Goodwill arising on acquisition	67,225
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Total consideration	68,000
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Net cash outflow arising on acquisition	
Cash consideration	3,000
Bank balances and cash acquired	(293)
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	2,707
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MCIH did not make any significant contribution to the results of the Group during the interim period.

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12. LITIGATION

An independent third party (“Claimant”), pursuant to a sub-contract (“Sub-Contract”) in relation to certain construction works, made a claim against Sum Cheong Piling Pte Ltd. (“Sum Cheong”), a wholly owned subsidiary of the Company for damages for breach of the Sub-Contract, together with the loss of profit or expenditure loss, payment for work done, and indemnity to the Claimant in respect of costs and losses by reason of Sum Cheong’s breach of duty in the sum of S\$9,150,000. Sum Cheong is in the course of preparing a Defence and Counterclaim in respect thereof.

On 4 May 2001, Guido Giacometti, a trustee for the estate of Sukamto Sia fka Sukarman Sukamto, a former Director and substantial shareholder of the Company, commenced proceedings against the Company in the U.S. Bankruptcy Court in the District of Hawaii claiming against the Company, among other things, the sum of US\$590,000 together with attorneys’ fees and costs. The Company received the summon and the related documents on 21 September 2001, and the Company is seeking legal advice in connection with the matter.