

11. SHARE CAPITAL

		Unaudited 30 September 2001 HK\$'000	Audited 31 March 2001 HK\$'000
Authorised:			
50,000,000,000 ordinary shares of HK\$0.01 each		<u>500,000</u>	<u>500,000</u>
Issued and fully paid:			
	<i>Notes</i>	Number of ordinary shares of HK\$0.01 each	Nominal value HK\$'000
Balance at beginning of period		20,527,334,747	205,273
Shares exchange	(a)	5,131,830,000	51,318
Reduction of capital	(b)	—	(230,932)
Consolidation of shares	(b)	<u>(23,093,248,273)</u>	<u>—</u>
Balance at end of period		<u>2,565,916,474</u>	<u>25,659</u>

(a) On 10 May 2001, the Company issued 5,131,830,000 new ordinary shares of the Company at a price of HK\$0.01 per share in exchange for 171,061,000 new ordinary shares of vLink Global Limited ("vLink"), a substantial shareholder of the Company, at a price of HK\$0.30 per share.

(b) On 18 September 2001, a special general meeting was convened and approved a capital reorganisation of the Company as follows:

i) Reduction of capital

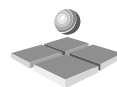
The par value of all issued ordinary shares of the Company was reduced from HK\$0.01 per share to HK\$0.001 per share ("Reduced Shares"). The credit arising from such reduction was credited to the contributed surplus account of the Company.

ii) Consolidation of shares

Every ten issued Reduced Shares of HK\$0.001 each were consolidated into one ordinary share of HK\$0.01.

iii) Share premium cancellation

The share premium account of the Company was cancelled and the credit arising was credited to the contributed surplus account of the Company, which was then used to partially set off against the accumulated losses of the Company, based on the accumulated losses of the Company as at 31 March 2001.



12. RESERVES

GROUP

	<i>Notes</i>	Share premium account <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 April 2001		1,339,156	1,038	123,294	(5,206)	(1,485,711)	(27,429)
Capital reorganisation expenses		(436)	—	—	—	—	(436)
Capital reorganisation							
- Reduction of capital	11(b)(i)	—	—	230,932	—	—	230,932
- Cancellation of share premium	11(b)(iii)	(1,338,720)	—	1,338,720	—	—	—
- Set-off against accumulated losses	11(b)(iii)	—	—	(1,490,946)	—	1,490,946	—
Share of exchange fluctuation reserve of associates		—	—	—	(424)	—	(424)
Net loss for the period		—	—	—	—	(119,065)	(119,065)
		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(119,065)</u>	<u>(119,065)</u>
Balance at 30 September 2001		<u>—</u>	<u>1,038</u>	<u>202,000</u>	<u>(5,630)</u>	<u>(113,830)</u>	<u>83,578</u>

13. COMMITMENTS

The Group had the following commitments at the balance sheet date:

- (a) Capital commitment in respect of the acquisition of certain equity interest in a private investment holding company (the "Investment"):

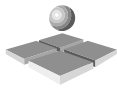
	Unaudited 30 September 2001 HK\$'000	Audited 31 March 2001 HK\$'000
Contracted, but not provided for	<u>6,000</u>	<u>—</u>

Subsequent to the balance sheet date, on 31 October 2001, the Group entered into a cancellation agreement with the vendor of the Investment to cancel the acquisition.

- (b) At 30 September 2001, the Group had total commitments payable in the future years under non-cancellable operating leases in respect of land and buildings as follows:

	Unaudited HK\$'000
Not later than one year	1,856
Later than one year and not later than five years	<u>1,701</u>
	<u>3,557</u>

At 31 March 2001, the Group had commitments under non-cancellable operating leases to make payments in the following year in respect of land and buildings expiring in the second to fifth years, inclusive, of HK\$2,025,000.



14. CONTINGENT LIABILITIES

In the prior year, the Company received a writ of summons from a contractor (the "Plaintiff"), for a sum of HK\$124 million claiming for alleged substandard mechanical and electrical installation works completed by the Plaintiff and the supply of project management services under two head contracts in connection with a property development project in Guangzhou, the People's Republic of China ("PRC"). The subject head contracts were entered into between the Plaintiff and Guangzhou Dong-Jun Real Estate Interest Company Limited ("GZ Dong Jun", a then indirect wholly-owned subsidiary of the Company) but the Plaintiff claimed directly against the Company in reliance on two guarantee letters allegedly given by the Company in favour of the Plaintiff.

The Hong Kong High Court ordered that all proceedings be stayed and the case was passed to Fushan, the PRC, for arbitration as this case was under its jurisdiction. The case was finalised on 30 November 1999 and the Fushan Arbitration Committee decided that GZ Dong Jun should pay the Plaintiff HK\$12 million together with interest from 30 December 1999 until payment at the interest rate of 0.04% per day to settle the outstanding construction costs (the "Decision").

On 31 July 2000, GZ Dong Jun was disposed to Mr Peng Xiongfa ("Mr Peng"). Pursuant to a deed of indemnity dated 31 July 2000, Mr. Peng has indemnified the Company for all damages, losses and liabilities arising therefrom.

In last year, GZ Dong Jun appealed to Guangdong Fushan City Intermediate People's Court (the "Fushan Intermediate Court") in respect of the Decision, which was rejected by the Fushan Intermediate Court.

On 10 January 2001, GZ Dong Jun appealed the decision of the Fushan Intermediate Court to Guangdong Province Higher People's Court (the "GD Higher Court").

In March 2001, the Plaintiff issued a summons to uplift the stay of proceeding imposed by the Hong Kong High Court.

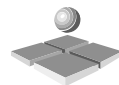
On 3 April 2001, GZ Dong Jun also filed a separate application to Guangzhou City Intermediate People's Court (the "GZ Intermediate Court") to request termination of the execution of the Decision.

In July 2001, the GZ Intermediate Court decided that the enforcement of the Decision was disallowed due to the improper procedure of the Foshan Arbitration Committee.

On 28 September 2001, the stay of proceeding was removed according to a court order (the "Order"). The Company has appealed the Order on the ground that the enforcement of the Decision was disallowed. The hearing of the appeal was scheduled on 7 May 2002.

Based on advice of the Group's legal adviser, the Directors are of the opinion that no provision for contingent liabilities is required as the Company has a reasonable chance in defending the Plaintiff's claim and the contingent liabilities arising therefrom, if any, are indemnified by Mr. Peng in any event.

Saved as disclosed above, the Group had certain contingent liabilities as at 30 September 2001 as detailed in the Group's audited financial statements for the year ended 31 March 2001. No further material development/realisation of those contingent liabilities occurred during the period and up to the date of the approval of the unaudited condensed consolidated financial statements.



15. RELATED PARTY TRANSACTIONS

In addition to the transaction as set out in note 11(a) to the unaudited condensed consolidated financial statements, particulars of the Group's material related party transactions during the period are as follows:

- (a) Pursuant to three loan agreements dated 23 March 2001, 24 April 2001 and 10 May 2001, the Group drawn down an aggregate amount of HK\$49.5 million from vLink Global Investments Limited, a wholly owned subsidiary of vLink. The loans are overdue and unsecured, except for a loan of HK\$29.5 million which is secured by certain assets of the Group as set out in note 10 to the unaudited condensed consolidated financial statements, and bear interest at Hong Kong dollar prime rate plus 4% to 5% per annum. During the period, interest expense of HK\$2,879,000 was charged to the profit and loss account in respect of such loans.
- (b) Interest income was received from an associate of the Group in respect of certain loans to the associate, which amounted to HK\$7,441,000 for the period (2000: HK\$5,030,000). Details of the loans to the associate as at 30 September 2001 are set out in note 7 to the unaudited condensed consolidated financial statements.

16. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the following significant events of the Group, not disclosed elsewhere in the unaudited condensed consolidated financial statements, took place:

- (a) On 10 October 2001, the Group entered into a sale and purchase agreement for the disposal of the Group's entire equity interest in a wholly owned subsidiary, Easycom Limited. The principal asset of Easycom Limited is an investment property located in the PRC. The disposal was completed on the same date and no material gain/loss was resulted from this disposal. Further details of the transaction are set out in a circular of the Company dated 5 November 2001.
- (b) On 19 October 2001, the Group entered a sale and purchase agreement for the disposal of the Group's entire equity interest in a wholly-owned subsidiary, Gold Peak Investments Limited, to an independent third party for a cash consideration of HK\$2 million. Such consideration has been paid by the Purchaser on 18 December 2001.
- (c) On 24 October 2001, one of the Group's legal advisers filed an indorsement of claim to the Hong Kong High Court against the Group for a sum of approximately HK\$3,124,000, being the outstanding balance of the legal costs and disbursements in respect of the works performed and services rendered and corresponding interest on the late payments. Pursuant to a consent order dated 8 December 2001, the Group agreed to pay HK\$3,000,000 for the settlement of this case according to an agreed repayment schedule and HK\$500,000 was paid on 7 December 2001.

On 1 November 2001, another legal adviser of the Company filed a statement of claim to the Hong Kong High Court against the Group for a sum of approximately HK\$756,000, being its costs and disbursements for works performed and legal services provided. Pursuant to a court order dated 3 December 2001, the Group should pay HK\$100,000 and the residue of the claim was adjourned to a date to be fixed.

On 7 November 2001, the Group's landlord filed a writ of summons to the Hong Kong District Court against the Group for a sum of approximately HK\$360,000, being the Group's overdue rentals and related expenses. According to a letter date 30 November 2001, the plaintiff further increased the claim to approximately HK\$679,000.

On 23 November 2001, the Group's creditor filed a writ of summons to the Hong Kong District Court against the Group for a sum of approximately HK\$501,000, being the Group's overdue contract sums.

As at 30 September 2001, all above legal fees, and relevant rentals and related expenses were properly accrued by the Group.

17. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current period's presentation.