

Notes to the Balance Sheet

March 31, 2002

(Amounts expressed in Hong Kong dollars)

1. Organization and Operation

The Company was incorporated in the Cayman Islands on March 5, 2002 as a company with limited liability under the Companies Law of the Cayman Islands.

The Company is an investment holding company. During the period from March 5, 2002 (date of incorporation) to March 31, 2002 (the "period"), the Company has not yet commenced business and accordingly, there are no results of operations for the Company during the period.

2. Principal Accounting Policies

The balance sheet has been prepared in accordance with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The balance sheet has been prepared on the historical cost basis.

3. Related Party Transactions

Parties are considered to be related to the Company if the Company has the ability to control, directly or indirectly, or to exercise significant influence over the parties in making financial and operating decisions or vice versa, or where the Company and the parties are subject to common significant influence. Related parties may be individuals or entities. During the period, auditors' remuneration of the Company was borne by a related company.

4. Share Capital

As at March 31, 2002, the authorized share capital of the Company was \$100,000, divided into 1,000,000 shares of \$0.10 each, all of which were allotted on March 18, 2002 and nil paid up.

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5. Subsequent Events

Subsequent to March 31, 2002, the Group completed a reorganization (the "Reorganization") in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Since May 9, 2002, the Company's shares have been listed on the Stock Exchange. Details of the Reorganization are as follows:

- a. On April 16, 2002, the authorized share capital of the Company was increased from \$100,000 to \$200,000,000 by the creation of an additional 1,999,000,000 shares of \$0.10 each, ranking pari passu with the then existing shares of the Company.
- b. On April 16, 2002, the Company acquired the entire issued share capital of VST Group Limited, a company incorporated in the British Virgin Islands, the consideration of which comprised (i) the issue of 1,000,000 shares of \$0.10 each credited as fully paid by the Company, and (ii) credited as fully paid the 1,000,000 shares of \$0.10 each of the Company issued on March 18, 2002.
- c. On April 17, 2002, 523,000,000 shares of \$0.10 each were allotted as fully paid to the holders of the shares of the Company that appear on the register of members of the Company in proportion to their respective shareholdings as at the close of business on April 17, 2002 by capitalization issue of shares.

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5. Subsequent Events (Cont'd)

- d. On May 9, 2002, 175,000,000 new shares and 42,000,000 sales shares of \$0.10 each were issued to the public at \$0.25 each resulting in total net cash proceeds attributable to the Company of approximately \$33,243,000.

A summary of the above movements in the issued share capital of the Company is as follows:

	Note	Number of shares issued '000	Total par value \$'000
Shares allotted and issued nil paid upon incorporation and as at March 31, 2002		1,000	–
Shares issued as consideration for the acquisition of the entire issued share capital of VST Group Limited	(b)	1,000	100
Credited as fully paid as consideration for the acquisition of the entire issued share capital of VST Group Limited	(b)	–	100
Capitalization issue of shares	(c)	523,000	52,300
New issue on public listing	(d)	175,000	17,500
		<u>700,000</u>	<u>70,000</u>

- e. On April 17, 2002, the Company approved a share option scheme under which the Directors may, at their discretion, invite employees (including both full time and part time employees, and executive Directors), non-executive Directors, suppliers, customers and other corporations or individuals that provide support to the Group (as defined in the share option scheme) to take up options to subscribe for shares in the Company. The maximum number of shares in respect of which options may be granted under the share option scheme may not exceed 10% of the issued share capital of the Company and the subscription price will be determined by the Company's Board of Directors and will not be less than the higher of (i) the nominal value of the Company's ordinary share; (ii) the closing price of the Company's ordinary share as stated in the daily quotation sheets issued by the Stock Exchange on the date of offer; and (iii) the average closing price of the Company's ordinary share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer.