NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. Principal accounting policies and basis of preparation

These consolidated condensed interim financial statements ("interim financial statements") have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, Interim Financial Reporting issued by the Hong Kong Society of Accountants.

The principal accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those adopted in the annual report for the year ended 31st March 2001, except that the Group has changed certain of its accounting policies following its adoption of the following SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January 2001:

SSAP 9 (revised):	Events after the balance sheet date
SSAP 14 (revised):	Leases (effective for the periods commencing on or after 1st July 2000)
SSAP 26:	Segment reporting
SSAP 28:	Provisions, contingent liabilities and contingent assets
SSAP 29:	Intangible assets
SSAP 30:	Business combinations
SSAP 31:	Impairment of assets
SSAP 32:	Consolidated financial statements and accounting for investments in subsidiaries

The significant changes in the Group's accounting policies resulting from the adoption of these new policies are set out below:

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiaries and associates at the date of acquisition.

In accordance with SSAP 30, goodwill on acquisitions occurring on or after 1st January 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life. Goodwill of the Group is amortised over a period of 20 years. Where an indication of impairment exists, the carrying amount is assessed and written down immediately to its recoverable amount.

Goodwill on acquisitions that occurred prior to 1st January 2001 was written off against reserves. The Group has taken advantage of the transitional provision 1(a) in SSAP 30 and goodwill previously written off against reserves has not been restated. However, any impairment loss arising on such goodwill is accounted for in accordance with SSAP 31. In accordance with the transitional provisions of SSAP 30, where an impairment loss has arisen since the date of acquisition on goodwill previously written off against reserves, and previously there was not a policy to recognise such impairment losses, this change in accounting policy has been applied retrospectively in the second half of the financial year of 2001 and the impairment losses have been recognised as a prior year adjustment to opening retained profits in accordance with SSAP 2.

(b) *Leases*

SSAP 14 (revised) "Leases" requires disclosure on the aggregate future minimum lease payments of non-cancellable leases analysed into the following periods:

(i) not later than one year
(ii) later than one year and not later than five years
(iii) later than five years

Comparative figures have been restated to conform with the current period's presentation.

(c) *Events after the balance sheet date*

In accordance with revised SSAP 9, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As stated in note 15, this change has resulted in an increase in opening retained profits at 1st April 2000 by HK$5,827,000 which is the reversal of the provision for the proposed final dividend for the year ended 31st March 2000 previously recorded as a liability as at 31st March 2000 although not declared until after the balance sheet date.

(d) *Segment reporting*

In note 3 to these interim financial statements the Group has disclosed segment revenue and results as defined under SSAP 26. In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographically as the secondary reporting format. Comparative information has been given.

(e) Changes to the Board of directors

Mr. Mongkon Cherloemchoedchoo and Mr. Wu Guang Liang and one non-executive director, Mr. Chung Ho (changed to non-executive director from executive director on 15th August 2002), who were directors as at 30th September 2001 still remain in office at 17th September 2002. The former chairman, Mr. Yuen Wai resigned on 28th May 2002 and has not been contactable thereafter. The two executive directors of the Company, Mr. Li Xianghong and Mr. Li Tiefeng and two of the non-executive directors, Mr. Lee Hoong Seun and Mr. Lao Youan were appointed subsequent to the current reporting period. The financial statements have been prepared based on the books and records maintained by the Company and its subsidiaries. However, no representations as to the completeness of the books and records of the Group during the period from 1st April 2001 to 30th September 2001 could be given by the present directors although care has been taken in the preparation of the financial statements to mitigate the effects of the incomplete records. The existing directors are therefore, unable to represent that the effects of all transactions affecting the Group during the reporting period have been included in the financial statements. Notwithstanding the foregoing, the directors have, in the assessment of the Group's assets and liabilities, taken such steps as they considered practicable, to establish these assets and liabilities based on the information of which they are aware and have made provisions and adjustments as they considered appropriate in the preparation of the interim financial statements.

2. Going concern basis of preparation

Although the Group had experienced tremendous problems over the last twelve months, such as the winding up petition filed by New Era Foundation (China) Limited ("New Era") on 27th November, 2001, the withdrawal of banking facilities of about HK$101 million, the termination of the PUMA distribution agreement and the commencement of proceedings by the Company against certain directors in August 2002 in relation to the appointment of directors at a purported board meeting held on 4th August, 2002, the Group considers it can overcome these problems and manage its cash flows in a satisfactory manner and has accordingly, prepared the financial statements on the going concern basis. Cash on hand and at banks as at 31st August, 2002 was approximately HK$5.2 million. The Board is confident that with the significantly reduced business activities, the Group will have sufficient cash to meet its daily operations and is able to maintain its status as a going concern for the foreseeable future, and is currently evaluating the possible disposal of its remaining investment properties.

The Board is also confident that the loans from minority shareholders carried in the balance sheet at HK$165,841,000 will not be repayable within at least 12 months from the date of these financial statements.

3. Segment information

An analysis of the Group's revenue and results for the period by business segments is as follows:

	Six months ended 30th September			
	Turnover		Segment results	
	2001	2000	**2001**	2000
	(Audited)	(Unaudited)	**(Audited)**	(Unaudited)
	HK$'000	HK$'000	**HK$'000**	HK$'000
By principal activities				
Sales of goods	**93,210**	62,634	**(1,737)**	(4,441)
Property investment	**8,557**	10,013	**(25,901)**	6,645
Heating supply technical services	**–**	17,500	**(11)**	17,449
Investment holding	**133**	21,419	**(17,886)**	7,577
E-commerce – internet services	**–**	–	**(6,438)**	(8,293)
Unallocated expenses	**–**	–	**(14,971)**	(10,861)
	101,900	111,566	**(66,944)**	8,076
Impairment of intangible asset			**(428,999)**	–
Provision for CNCC Acquisitions			**(232,620)**	–
Provision for doubtful debts			**(375,238)**	–
Operating (loss)/profit			**(1,103,801)**	8,076
Finance costs			**(8,955)**	(7,421)
Share of (losses)/profits of associates			**(5,552)**	2,224
(Loss)/profit before taxation			**(1,118,308)**	2,879
Taxation			**(1)**	(422)
Minority interests			**(4,639)**	294
(Loss)/profit attributable to shareholders			**(1,122,948)**	2,751

An analysis of the Group's turnover and contribution to operating (loss)/profit for the period by geographical segment is as follows:

	Six months ended 30th September			
	Turnover		Segment results	
	2001 (Audited) HK$'000	2000 (Unaudited) HK$'000	**2001 (Audited) HK$'000**	2000 (Unaudited) HK$'000
By geographical segments				
Hong Kong	**25,184**	12,350	**(5,678)**	3,944
Mainland China	**53,982**	82,787	**(46,387)**	16,673
Taiwan	**22,734**	16,429	**92**	(1,680)
Unallocated expenses	**–**	–	**(14,971)**	(10,861)
	101,900	111,566	**(66,944)**	8,076
Impairment of intangible asset			**(428,999)**	–
Provision for CNCC Acquisition			**(232,620)**	–
Provision for doubtful debts			**(375,238)**	–
			(1,103,801)	8,076

4. Operating (loss)/profit

The operating (loss)/profit is stated after crediting/(charging) the following:

	Six months ended 30th September	
	2001 (Audited) HK$'000	2000 (Unaudited) HK$'000
Amortisation of intangible asset	**(13,000)**	(13,000)
Deficit on revaluation of investment properties	**(27,236)**	–
Depreciation	**(1,701)**	(1,109)
Interest income	**133**	21,421
Net loss on disposal of subsidiaries and associates	**–**	(2,213)

5. **Taxation**

Hong Kong profits tax is provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the period in Hong Kong. Taxation on overseas profits is calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Six months ended 30th September	
	2001	2000
	(Audited)	(Unaudited)
	HK$'000	HK$'000
Company and subsidiaries		
– Hong Kong profits tax	**–**	375
– Overseas profits tax	**–**	46
Share of taxation attributable to associates		
– Hong Kong profits tax	**1**	–
– Overseas profits tax	**–**	1
	1	422

6. **(Loss)/earnings per share**

The calculation of basic (loss)/earnings per share is based on the Group's loss attributable to shareholders of HK$1,122,948,000 (2000: profit of HK$2,751,000) and on the weighted average number of 1,458,773,001 (2000: 1,456,847,825) ordinary shares in issue during the period.

No diluted loss per share for the period is presented as the exercise of options and the conversion of the mandatory convertible note would have no dilutive effect. (2000: There is no dilution effect if all outstanding warrants and options had been exercised since the exercise prices are higher than the market price of ordinary shares of the Company. The diluted earnings per share is based on 1,656,243,272 ordinary shares which is the weighted average number of ordinary shares in issue during the period plus the weighted average of 199,395,447 ordinary shares deemed to be issued at a conversion price of HK$1.40 per share if all outstanding mandatory convertible note had been converted).

7. Intangible asset

	30th September 2001 (Audited) HK$'000	31st March 2001 (Audited) HK$'000
Cost		
At 1st April 2001/ 2000	**519,999**	519,999
Accumulated amortisation and impairment losses		
At 1st April 2001/ 2000	**78,000**	52,000
Amortisation for the period/year	**13,000**	26,000
Impairment charge	**428,999**	–
At 30th September 2001/31st March 2001	**519,999**	78,000
Net book value		
At 30th September 2001/31st March 2001	**–**	441,999

(a) Background

In 1998, the Group entered into an agreement with Trade Sense International Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of China Huatong Distribution & Industry Development Corp. (Group) ("China Huatong"), a state-owned enterprise incorporated in Beijing, the PRC under which the Group acquired a 75% interest in the issued share capital of Galaxy Gain Limited ("Galaxy") ("Heat Supply Project"). Galaxy's wholly-owned subsidiary, Ocean-Land Heat Supply Limited ("Ocean-Land Heat"), was appointed under an agreement for the provision of technical services relating to the supply, installation and management of heating systems to Huatong Heat Energy Technique Company Limited ("Huatong Heat") in the Mainland China on an exclusive basis. Huatong Heat was to pay Ocean-Land Heat an annual fee, calculated in accordance with the total areas of heating systems to be installed by Huatong Heat plus a 55% share of its net profit after tax, for a minimum period of 20 years. The principal asset acquired by the Group is effectively an intangible asset which represents the fair value of future distributions. The consideration for the acquisition was capitalised and amortised over the minimum useful life of the asset of 20 years.

Pursuant to guarantee letters provided by China Huatong, the holding company of Huatong Heat, the Group is entitled to receive minimum income of HK$25 million, HK$58 million, HK$35 million and HK$40 million for the first four years of the Heat Supply Project respectively, commencing from the year ended 31st March 1999. The Company received HK$118 million from Huatong Group Holdings Limited and Proficient Company Limited for the three years ended 31st March 2001. It also appears that HK$114 million relating thereto was paid out of the Group shortly after receipt.

(b) The guaranteed minimum income of HK$20 million for the six months ended 30th September 2001 and HK$20 million for the six months ended 31st March 2002 in respect of the Heat Supply Project has yet to be received by the Group. The Board has decided not to recognize the guaranteed minimum income of HK$20 million relating to the period ended 30th September 2001 in the interim financial statements for the sake of prudence. The Company has received a letter dated 6th August 2002 from China Huatong that it has not paid any "guaranteed income" to the Group and it is not capable to honour its commitment. Huatong Heat also alleges that Ocean-Land Heat has not honoured its obligations to provide technical services etc. under the agreement referred to in (a) above and hence, is not entitled to payment or share of profit under that agreement. On the basis of the available information, the Group decided to make an additional provision of HK$429 million in respect of the intangible asset to reduce its carrying value to zero. The Board has appointed Deloitte Touche Tohmatsu on 22nd July 2002 to investigate into this matter and will take the necessary action to recover the loss incurred by the Group from this transaction.

8. (a) Investment properties

The investment properties were revalued on the basis of their open market value at 30th September 2001 by David C. Lee Surveyors Ltd., a firm of independent professional valuers.

Investment properties in Hong Kong and overseas with an aggregate carrying value of HK$243,600,000 and HK$3,921,000 (31st March 2001: HK$256,080,000 and HK$5,025,000) respectively have been pledged as securities for the Group's bank loans and facilities. Subsequent to 30th September 2001, investment properties in Hong Kong with an aggregate carrying value of HK$154,300,000 were disposed of and the sales proceeds were used to settle the Group's secured bank loans and as the Group's general working capital.

Included in investment properties is a property known as Kwai Chung Car Park and Shopping Centre, carried at valuation as at 30th September 2001 of HK$134,900,000. This valuation was made based on an existing use basis. Subsequently, the Directors resolved to dispose of the property to settle part of the Group's secured bank loans and as the Group's general working capital. The property was sold on 30th April 2002 for HK$70,500,000. The Board considers that it is appropriate to recognise the loss on disposal of HK$64,400,000 subsequent to the balance sheet date.

Also included in investment properties is a property known as Panyu Times Place in Panyu, Guangdong, PRC. Tat Yeung Investments Limited, which was then 50% owned by the Group, and is now 100% owned by the Group from 14th November 2001 onwards, has made a loan together with interest totalling about HK$84,000,000 to Panyu Lucky Rich Real-Estates Development Limited ("Panyu Lucky"), a company incorporated in the PRC. Nardu Co. Limited, which is owned 47.5% by the Group as at 30th September 2001 owns 100% of Panyu Lucky. The Board has been unable to obtain satisfactory documentation in accordance with PRC laws, to confirm the legality of the said loan of HK$84,000,000. Under PRC laws, any foreign loan must be approved by the PRC government, so that repayment to overseas corporations can be subsequently made.

The Board will vigorously pursue the formal legalisation of this loan.

(b) Property under development

Property under development relates to the Waterfront Project in Panyu, PRC, and was valued at HK$37,351,000. Due to the severe problems experienced by the Group, the Board was unable to continuously monitor the development of the project and currently is unable to provide appropriate funding to ensure its completion. The project is currently suspended.

The Board is confident that this project can be reactivated and will make positive contributions to the Group's operations once the present situation is positively resolved.

No further provision for impairment is deemed appropriate.

9. Investments in associates

The proforma combined balance sheet of major associates according to their respective management accounts is as follows:

	30th September 2001 (Unaudited) HK$'000	31st March 2001 (Unaudited) HK$'000
Long term investments	**811,215**	884,910
Current assets		
Due from investee companies	**82,381**	70,417
Other current assets	**56,227**	99,339
	138,608	169,756
Current liabilities		
Due to shareholders	**17,487**	–
Other accounts payable	**33,975**	79,361
	51,462	79,361
Net current assets	**87,146**	90,395
Long-term shareholders' loans	**920,089**	973,329
Net (liabilities)/assets	**(21,728)**	1,976
Group's share of net (liabilities)/assets	**(12,428)**	882

The largest interest in associates held by the Group is a 32% interest in Goodwill (Overseas) Limited ("Goodwill"), incorporated in the British Virgin Islands. Goodwill has lent HK$642,000,000 to a company called Kingdom Land Investment & Development Co. Limited ("Kingdom Land"), which is incorporated in the Macau Special Administrative Region. Kingdom Land has a 95% interest in Shanghai Xing Tai Real Estate Development Incorporation Limited ("Xing Tai"), which is incorporated in the PRC. Xing Tai holds a 100% interest in Shanghai East Ocean Centre (Shanghai East) Phase II. The directors are currently unable to locate any written confirmation from Kingdom Land acknowledging the loan of HK$642,000,000. The Board will vigorously pursue this matter to protect the interest of the Group. The property was valued at US$100,962,000 by Chesterton Petty Limited on 18th July 2000.

10. Trade and other receivables

	Note	30th September 2001 (Audited) HK$'000	31st March 2001 (Audited) HK$'000
Due from a related company		**–**	35,000
Trade receivables	(a)	**39,049**	67,962
Prepayments and deposits	(b)	**12,960**	219,176
Other receivables	(c)	**37,617**	359,259
		89,626	681,397

(a) Nearly half of the Group's turnover is on letters of credit. The Group allows an average credit period of 60 days to its trade customers on open account credit terms. The ageing analysis of the trade receivables at 30th September 2001 is as follows:

	30th September 2001 (Audited) HK$'000	31st March 2001 (Audited) HK$'000
Current	**28,160**	21,092
One to three months	**8,331**	11,174
Over three months	**2,558**	35,696
	39,049	67,962

(b) Included in this balance is a deposit of HK$200,000,000 (31st March 2001: HK$200,000,000) paid by the Company pursuant to the terms of a memorandum of understanding dated 28th February 2000 (the "MOU") made between the Company and China National Container Corporation ("CNCC"), an independent third party, a company incorporated in the PRC. As a result of the payment of this amount ("the earnest money"), the Company had the exclusive right to enter into negotiation with CNCC for the acquisition of a substantial stake of a nation-wide, container based modern logistics and distribution network joint venture in the PRC (the "CNCC Acquisition").

The completion of the CNCC Acquisition pursuant to the terms of an agreement dated 19th February 2001 is conditional upon fulfilment of certain conditions which include obtaining the approval from the relevant authorities and finalising of certain legal procedures in the PRC. The first completion date was set on 2nd May 2001 and thereafter, the completion date was extended six times until 31st March 2002. Since the conditions were not fulfilled by CNCC on 31st March 2002, the Board terminated the transaction on 2nd April 2002 and demanded refund of the earnest money and the related interest at 7% per annum.

In addition, included in prepayments and deposits is interest receivable on the earnest money of HK$14,000,000 (31st March 2001: HK$14,000,000) accrued for the year ended 31st March 2001, a temporary advance of HK$13,000,000 (31st March 2001: Nil) made to Epoch Development Holdings Limited (a related company of CNCC) and capitalised expenses of HK$5,620,000 (31st March 2001: HK$4,830,000). The Company has on 1st August 2002 received a letter from CNCC stating that, it has not received the earnest money of HK$200 million allegedly paid by the Group in March 2000 or authorised any person to receive such sum from the Group. After careful consideration, the Board decided to make a full provision of HK$232,620,000 including the earnest money of HK$200 million paid to Sharp Class International Limited ("Sharp Class"), a company incorporated in the British Virgin Islands pursuant to the MOU, an advance of HK$13 million to Epoch Development Holdings Limited, interest accrued on the earnest money and the interest income of HK$14,000,000 for the year ended 31st March, 2001. Deloitte & Touche Corporate Finance Limited ("DTCF") submitted its limited review report dated 5th August 2002 on the CNCC Acquisition to the Board for review. The Board has instructed its legal advisers to take legal actions to recover the earnest money of HK$200 million together with the interest accrued thereon and the advance of HK$13 million to Epoch Development Holdings Limited.

(c) Included in the balance is the total amount of HK$358,445,000 receivable (the "Receivable") from Sharp Class. In view of the lack of satisfactory documentation and adequate evidence to substantiate the nature, existence, substance and recoverability of the Receivable, the Board decided to make a full provision in respect of the Receivable in the interim financial statements. DTCF submitted its limited review report dated 5th August 2002 on the Receivable to the Company for review. The Board has on 7th September 2002 commenced legal action against Sharp Class and Mr. Lo Chu Kong, the former chief executive officer and one of the authorized bank signatories of China-eDN.com Limited (a 70% subsidiary of the Company which made the payment of HK$308,444,772 to Sharp Class). Further legal action will be taken against the relevant parties for the recovery of HK$50 million due from Sharp Class.

11. Trade and other payables

	30th September 2001 (Audited) HK$'000	31st March 2001 (Audited) HK$'000
Trade payables	**44,387**	64,275
Deposits received, other payables and accruals	**65,368**	57,385
	109,755	121,660

The ageing analysis of the trade payables at 30th September 2001 is as follows:

	30th September 2001 (Audited) HK$'000	31st March 2001 (Audited) HK$'000
Current	**16,501**	16,050
One to three months	**9,322**	12,720
Over three months	**18,564**	35,505
	44,387	64,275

12. Bank loans, secured

	30th September 2001 (Audited) HK$'000	31st March 2001 (Audited) HK$'000
Bank loans were repayable as follows:		
Within one year	**118,364**	108,069
In the second year	**5,931**	10,217
In the third to fifth years inclusive	**407**	8,166
Beyond the fifth year	**2,525**	2,622
	127,227	129,074
Current portion of bank loans	**(118,364)**	(108,069)
	8,863	21,005

Subsequent to 30th September 2001, approximately HK$80 million has been settled with the banks.

13. Other loans

Apart from an amount of HK$25,000,000 borrowed from New Era Foundation (China) Limited ("New Era"), which is interest bearing, secured by certain shares of unlisted investments held by the Group and has fixed terms of repayment (see note 20b), other loans are unsecured, interest bearing at commercial rates and repayable within 12 months from the date of loan drawdown. The loan of HK$25,000,000 was repaid in full on 31st January 2002. For details on the repayment, please refer to note 20(b).

14. Share capital

	Ordinary shares of HK$0.1 each (Audited)	
	Number of shares	**Amount**
	'000	HK$'000
Authorised		
At 30th September 2001 and 31st March 2001	5,000,000	500,000
Issued and fully paid		
At 1st April 2000	1,456,845	145,685
Shares issued on exercise of bonus warrants	10	–
At 31st March 2001	1,456,855	145,685
Exercise of options	6,500	650
At 30th September 2001	1,463,355	146,335

15. Reserves

	Investment properties revaluation reserve HK$'000	Exchange reserve HK$'000	General reserve HK$'000	Capital redemption reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Share premium HK$'000	Total HK$'000
At 1st April 2000	70,732	767	44,942	402	610,359	654,049	1,381,251
– effect of adopting SSAP9 (revised) (*note 1(c)*)	–	–	–	–	5,827	–	5,827
As restated	70,732	767	44,942	402	616,186	654,049	1,387,078
Loss attributable to shareholders							
– as previously reported	–	–	–	–	(14,774)	–	(14,774)
– effect of adopting SSAP31 (*note 1 (a)*)	–	–	–	–	(418,574)	–	(418,574)
– as restated	–	–	–	–	(433,348)	–	(433,348)
2000 final dividend paid	–	–	–	–	(5,827)	–	(5,827)
Effect of adopting SSAP31	–	–	–	–	418,574	–	418,574
Goodwill on acquisition of subsidiaries	–	–	–	–	(301,847)	–	(301,847)
Goodwill on acquisition of further interest in an associate	–	–	–	–	(562)	–	(562)
Deficit on revaluation	(70,634)	–	–	–	–	–	(70,634)
Exchange translation differences	–	(24)	–	–	–	–	(24)
Issue of new shares	–	–	–	–	–	3	3
Disposal of investment properties	2,836	–	–	–	–	–	2,836
At 31st March 2001	2,934	743	44,942	402	293,176	654,052	996,249
Deficit on revaluation	(2,934)	–	–	–	–	–	(2,934)
Loss attributable to shareholders	–	–	–	–	(1,122,948)	–	(1,122,948)
Issue of new shares upon exercise of options	–	–	–	–	–	319	319
At 30th September 2001	–	743	44,942	402	(829,772)	654,371	(129,314)

16. Mandatory convertible note

The mandatory convertible note ("Note") is redeemable at the Company's option at par value before its maturity. Any principal amount of the Note outstanding on maturity will be mandatorily converted into shares of the Company at a conversion rate of HK$1.40 per share.

The Note currently dated 27th April 2001 was issued to United City Trading Limited ("Noteholder"). The maturity date of the Note was extended from 27th April 2001 to 27th April 2002 by an ordinary resolution passed at the extraordinary general meeting of the Company held on 5th June 2001. At the time of the extension of the maturity date, the Company was advised that the Noteholder was wholly owned by Huatong Group Holdings Limited ("Huatong").

On 23rd April 2002, Huatong brought to the notice of the Company that the ownership of the Noteholder is subject to dispute and demanded in writing on 26th April 2002 that the Company withheld allotting and issuing the conversion shares to the Noteholder, failing which the Company would be held responsible for Huatong's loss and damage. The Noteholder, on the other hand, has on 29th April 2002, instructed the Company to allot and issue the conversion shares to a third party. The Company has withheld the allotment and issuance of the conversion shares pending resolution of such dispute.

17. Contingent liabilities

	30th September 2001 (Audited) HK$'000	31st March 2001 (Audited) HK$'000
Guarantees for banking facilities granted to an investee company	**7,706**	7,706
Litigation *(Note)*	**4,844**	4,844
	12,550	12,550

Note: This represents the maximum contingent liability of the Group estimated by the Board in respect of a claim lodged against a subsidiary of the Company. The Board, based on the advice of the Group's legal advisors, considered that the Group has a good defence against the alleged claim and accordingly no provision has been made in the condensed interim financial statements for the claim.

Note 20 contains information regarding litigation entered into by and against the Group subsequent to the balance sheet date.

18. Commitments

(a) Capital commitments

	30th September 2001 (Audited) HK$'000	31st March 2001 (Audited) HK$'000
Contracted but not provided for	**12,158**	18,149

(b) Commitments under operating leases

At 30th September 2001, the Group had future minimum lease payments payable under non-cancellable operating leases in respect of land and buildings as follows:

	30th September 2001 (Audited) HK$'000	31st March 2001 (Audited) (Restated) HK$'000
Within one year	**4,539**	5,455
In the second to fifth years inclusive	**3,448**	5,205
	7,987	10,660

19. Related party transactions

The following is a summary of significant related party transactions during the period:

	Note	Six months ended 30th September 2001 (Audited) HK$'000	2000 (Unaudited) HK$'000
Issuance of a convertible note to Huatong Group Holdings Limited ("Huatong")	16	–	306,600

The Directors are of the opinion that the above transaction was entered into in the normal course of business and on normal commercial terms.

20. Significant post balance sheet date events

(a) On 14th November 2001, certain subsidiaries of the Company entered into a series of transactions with First-Time Investment Limited ("First-Time"), ACME Corporation ("ACME"), and certain companies controlled by Winsor Properties Holdings Limited ("WPHL"), a listed company in Hong Kong, in which the Group disposed of certain minority-owned investments to First-Time, ACME and WPHL in return for additional shareholdings in the Group's two associates, namely, Sea-Land Mining Limited ("Sea-Land") and Tat Yeung Investments Limited ("Tat Yeung"). Upon the completion of the transactions, the Group increased its shareholdings in both Sea-Land and Tat Yeung from 50% to 100%. The consideration for acquiring the additional 50% shareholdings in each of Sea-Land and Tat Yeung was approximately HK$28 million and HK$33 million respectively totalling HK$61 million, which was the total consideration received for disposal of the above-mentioned minority-owned investments.

With the completion of the above transactions, the Group, through its wholly-owned subsidiary, Sea-Land owns 71% of Suzhou Nanda Cement Company Limited. The Group's total investment in this project was HK$84 million.

Tat Yeung is an investment company whose main asset is a loan receivable of HK$84 million with accrued interest thereon being advances made to finance the Group's property development in Panyu Times Place in Panyu, PRC (see also note 8(a) above).

Mrs. CHEN Chou Mei Mei, Vivien, was a common director of the Company and WPHL when the transactions were entered into.

(b) On 27th November 2001, the Company announced that a winding-up petition ("Petition") was served on it by New Era, an independent third party. On 31st January 2002, the Company and its subsidiary, Price Sales Limited, entered into a deed of settlement with New Era whereby New Era agreed to accept in full and final settlement of all claims to which the Petition related upon receipt of HK$29,066,466 (the "final settlement"), and as a consequence the Group would have no further liability due to New Era. The Company paid the final settlement on 31st January 2002 and a consent summons was filed with the High Court of Hong Kong to dismiss the Petition. On 6th February 2002, the High Court of Hong Kong ordered the Petition be dismissed.

The Company has funded the final settlement through borrowings of HK$15,000,000 repayable by 28th October 2002 at an interest rate of 10% per annum from an independent third party. At the same time the Group sold to the lender approximately 35% of the Group's shareholding in Success Project Investments Limited ("Success Project") at HK$15,000,000 with an option granted to the Group that it may repurchase the said shareholding within nine months from 28th January 2002 at the same price plus interest calculated at a rate of 10% per annum for the relevant period. Success Project holds a 52% interest in an investment company which owns Shilu International Shopping Centre in Suzhou, the PRC.

(c) On 31st December 2001 and 9th January 2002, The Hongkong and Shanghai Banking Corporation Limited ("HSBC") withdrew the banking facilities in respect of documentary credit operations and general purpose loans granted to certain Group companies totalling approximately HK$101,000,000. HSBC advised that such withdrawal of banking facilities does not constitute a demand for immediate repayment for all outstanding amounts due by the Group to HSBC. The Board believes that the withdrawal of banking facilities by HSBC was the result of the Petition described in (b) above.

(d) On 8th March 2002, an indirect wholly-owned subsidiary of the Company entered into an agreement for the sale of Units 1008-1010, Harbour Crystal Centre, 100 Granville Road, Tsimshatsui East, Kowloon, Hong Kong (the "1st Property") at a consideration of HK$4,972,500. Completion took place on 15th April 2002. The book value immediately before the disposal of the 1st Property was HK$5,000,000. The Company applied the entire sale proceeds in the repayment of secured bank loans. The loss on disposal of the 1st Property was HK$27,500 and the loss will be recognised in the Group's results for the year ending 31st March 2003.

(e) On 3rd April 2002, an indirect wholly-owned subsidiary of the Company entered into an agreement for the sale of Upper Ground and Service Floors, 2nd to 6th Floors and the Roof Floor of Kwai Chung Car Park and Shopping Centre (the "2nd Property") at a consideration of HK$70,500,000. Completion took place on 30th April 2002. The original book value of the 2nd Property was HK$6,947,000 which was subsequently revalued to HK$134,900,000, a revaluation surplus of HK$127,953,000 being booked in previous years. According to the Group's accounting policy for investment properties, increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set-off against increases on earlier valuations on a portfolio basis and then debited to operating profit. The Group's investment property revaluation reserve has dropped to zero on a portfolio basis as at 30th September 2001.

The purpose of the disposal is to reduce the Group's current bank borrowing to an acceptable level in order to reduce the pressure from the Group's bankers. The Group applied approximately HK$67,200,000 for the repayment of secured bank loans. The balance of the proceeds are being used for the Group's general working capital.

(f) On 12th June 2002, an indirect wholly-owned subsidiary of the Company entered into an agreement for the sale of Unit No. 302 East Ocean Centre, 98 Granville Road, Tsimshatsui East, Kowloon, Hong Kong (the "3rd Property") at a consideration of HK$10,000,000. Completion took place on 22nd July 2002. The Group applied the entire sale proceeds after deducting incidental charges for the Group's general working capital. The book value immediately before the disposal of the 3rd Property was HK$11,500,000. The loss on disposal of the Property was HK$1,500,000 and the loss will be recognised in the Group's results for the year ending 31st March 2003.

(g) On 3rd July 2002, an indirect wholly-owned subsidiary of the Company entered into an agreement for the sale of Car Park Space Nos. 11, 12, 34, 40, 41, 42, 43, 44 & 45 on Basement Floor, Peninsula Centre, 67 Mody Road, Tsimshatsui East, Kowloon, Hong Kong (the "4th Property") at a consideration of HK$2,430,000. Completion took place on 29th July 2002. The Group applied the whole amount of sale proceeds after deducting incidental charges for the Group's general working capital. The book value immediately before the disposal of the 4th Property was HK$2,600,000. The loss on disposal of the Property was HK$170,000 and the loss will be recognised in the Group's results for the year ending 31st March 2003.

(h) The Company commenced legal proceedings on 10th August 2002 against Mr. Chung Ho and Mr. Wu Yuehua and three other directors purportedly appointed at a board meeting held on 4th August 2002 ("Purported Board Meeting") seeking to, inter alia, invalidate the resolutions passed at that meeting. On 13th August 2002, the three directors purportedly appointed at the Purported Board Meeting on 4th August 2002 tendered their resignations as directors. The Company maintains that the directors appointed at the Purported Board Meeting had not been validly appointed and intends to pursue Mr. Chung Ho and Mr. Wu Yuehua in relation to damages caused to the Company arising from the Purported Board Meeting.

(i) The Company has on 7th September 2002 commenced legal action against Sharp Class and Mr. Lo Chu Kong, former chief executive officer and one of the authorised bank signatories of China-eDN.com Limited (a 70% subsidiary of the Company) which made the payment of HK$308,444,772 to Sharp Class.

(j) The Group has been notified, on 15th May, 2002, by PUMA AG Rudolf Dassler Sport that it intends to terminate the trade mark license agreement dated 21st October, 1998 and a supplemental agreement dated 10th February, 2002. The Group is negotiating to settle the matter and the directors are currently unable to estimate the potential financial effect on the Group. The Group made an appropriate public announcement on the matter on 16th May, 2002.

(k) Trading in the Company's shares has been suspended since 28 May 2002 pending the release of price sensitive information.

21. Approval of the interim financial statements

The interim financial statements were approved and authorised for issue by the Board on 17th September, 2002.