

I-CHINA HOLDINGS LIMITED

(Provisional Liquidators Appointed)

(Incorporated in Bermuda with limited liability)

Interim Report 2002

CONTENTS

	<i>Pages</i>
Corporate Information	2
Provisional Liquidators' Report	3
Independent Review Report	10
Condensed Consolidated Income Statement	14
Condensed Consolidated Balance Sheet	15
Condensed Consolidated Statement of Changes in Equity	16
Condensed Consolidated Cash Flow Statement	17
Notes to the Condensed Consolidated Financial Statements	18

CORPORATE INFORMATION

JOINT AND SEVERAL PROVISIONAL LIQUIDATORS

Cosimo Borrelli
Fan Wai Kuen
R. Craig Christensen

DIRECTORS

Shirley Choi Siu Lui
(Chairman and Chief Executive Officer)
Norman Choi Sung Fung *(Deputy Chairman)*
Ou Yirong
Vincent Cheung Wing Hung
Choi Sai Leung *(Honorary Chairman)*
Ronald Lau Kin Hon

AUDITORS

Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

Wing Hang Bank Limited
Bank of China (Hong Kong) Limited
China Merchants Bank

REGISTERED OFFICE

Argyle House
41A Ceder Avenue
P.O. Box HM 1179
Hamilton
Bermuda

PRINCIPAL PLACE OF BUSINESS

7th Floor
Allied Kajima Building
138 Gloucester Road
Wanchai
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICE IN HONG KONG

Progressive Registration Limited
G/F Bank of East Asia Harbour View Centre
56 Gloucester Road
Hong Kong

STOCK CODE AT HONG KONG STOCK EXCHANGE

240

CONTACT DETAILS

Telephone no : (852) 2598 5123
Facsimile no : (852) 2598 0060

PROVISIONAL LIQUIDATORS' REPORT

Business Review

The Group's car rental operation in Hong Kong leases motor vehicles to customers on a contract basis. During the reporting period, the Group's remaining investment properties in Hong Kong were realised by the mortgage to reduce the liabilities of the Group. In addition, the Group's investment properties which amounted to HK\$147.8 million in the PRC have been fully provided for in accordance with a legal opinion obtained by the Provisional Liquidators.

For the six months ended 30 September 2002, the Group recorded a consolidated turnover of approximately HK\$1.4 million which was attributable to the car rental business.

The net loss for the period was approximately HK\$156.0 million. The loss from operations was approximately HK\$150.6 million for the period, compared with approximately HK\$3.7 million for the six months ended 30 September 2001.

Capitalisation and Financial Position

The Group's net liabilities approximated HK\$653.7 million as at 30 September 2002 (31 March 2002: HK\$497.7 million). Cash and bank balances and total bank and other borrowings approximated HK\$1.1 million (31 March 2002: HK\$1.0 million) and HK\$545.5 million (31 March 2002: HK\$538.8 million), respectively, as at the balance sheet date. The Group's borrowings from creditor banks were not repaid in accordance the schedules set by the creditor banks and, became due for immediate repayment. As a result, the amounts outstanding to the creditor banks were reclassified as current liabilities.

Bank and other borrowings were principally dominated in Hong Kong and US dollars as a result, there is minimal foreign exchange risk. Bank and other borrowings were subject to floating interest rates. The Group did not use financial instruments for hedging purposes and did not have foreign currency net investments being hedged by currency borrowings and other hedging instruments.

Suspension of Trading

Trading in the securities of the Company has been suspended since 10:00 a.m. on 15 January 2002 and will remain suspended until further notice. No transfer of shares has been or will be effected and registered after 10:00 a.m. on 15 January 2002.

Restructuring of the Group

On 20 November 2003, the Company, acting through the Provisional Liquidators, entered into an agreement for the implementation of a restructuring proposal ("Restructuring Agreement") with Wai Kee Holdings Limited ("Wai Kee") in relation to a restructuring proposal, which involves, among others, the capital restructuring, debt restructuring involving the schemes under section 99 of the Companies Act 1981 of Bermuda and section 166 of the Hong Kong Companies Ordinance ("Schemes"), the subscription of the Company's new shares and new preference shares by Wai Kee, the injection of the entire construction business of Wai Kee to the Company, whitewash waiver and general mandate to issue new shares and repurchase shares ("Proposed Restructuring").

The Proposed Restructuring, if successfully implemented, will, among other things, result in:

- (i) a restructuring of the share capital of the Company through par reduction, share consolidation and increase in authorized share capital;
- (ii) all the creditors of the Company discharging and waiving their claims against the Company pursuant to the Schemes;
- (iii) injection of Top Tactic Holdings Limited and its subsidiaries (comprising the Amazing Reward Group and the Zen Pacific Group) by Wai Kee to the Company;
- (iv) Wai Kee holding a controlling interest in the enlarged issued share capital of the Company upon completion of the restructuring; and
- (v) the resumption of trading in the shares of the Company and the commencement of trading in the new shares of the Company upon completion of the restructuring (“Completion”) subject to sufficient public float being restored.

Prospects

Upon implementation and completion of the Restructuring Agreement, it is anticipated that the financial position of the Company will be improved as (i) all liabilities of the Company will be compromised and discharged through the Schemes, and (ii) injection of assets by Wai Kee. It is also anticipated that the Group will also have the necessary financial resources and working capital for on-going operations.

The Provisional Liquidators consider that the Restructuring Agreement can be completed in accordance with its terms.

Directors’ Interest in Securities

Save as disclosed below and under the section headed “Share Option Scheme” below, to the best of the knowledge of the Provisional Liquidators having made all reasonable enquiries, as at 30 September 2002, none of the directors of the Company and their associates had any interest in the securities of the Company and its associated corporations, within the meaning of the Securities and Futures Ordinance (“SFO”), which were required to be notified to the Company and the Stock Exchange of Hong Kong Limited (“Stock Exchange”) pursuant to section 341 of the SFO (including interests which they were deemed or taken to have under section 344 of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

(a) Shares in the Company

Name of Director	Type of interests	Number of shares held
Mr. Choi Sai Leung	Other interests	127,144,278 (note)

Note: This represents the deemed interest of Mr. Choi in 127,144,278 shares in the Company held by Norham as at 31 March 2003. Norham was the asset of a discretionary trust, the Celleroy Trust. Mr. Choi, being the sole shareholder and sole director of the trustee, Celleroy, was deemed to have an interest in these shares.

(b) *Shares in associated corporations of the Company*

Name of Director	Name of associated corporation	Nature of interests	Number of shares held
Mr. Choi	Seapower Resources Int't Limited ("SRI")	Personal interests	9,000,000
	Seafield Investments Limited	Personal interests	500,000
	Seapower Consortium (China) Limited	Personal interests	5,000
Ms. Shirley Choi Siu Lui	SRI	Personal interests	500,000

(c) *Share Option in SRI*

Details of share options which have lapsed under the share option scheme of SRI ("SRI Option Scheme") during the year are as follows:

Name of Directors	Notes	Number of share options				At 30 September 2002
		At 1 April 2002	Granted during the year	Exercised during the year	Lapsed/Cancelled during the year	
Shirley Choi Siu Lui	<i>1&2</i>	38,584,795	—	—	38,584,795	—
Norman Choi Sung Fung	<i>1&2</i>	10,784,435	—	—	10,784,435	—
Choi Sai Leung	<i>1&3</i>	38,584,795	—	—	38,584,795	—
Hui Kam Yip	<i>1&3</i>	38,584,795	—	—	38,584,795	—
Ou Yirong	<i>1&4</i>	11,981,846	—	—	11,981,846	—
Vincent Cheung Wing Hung	<i>1&5</i>	1,796,116	—	—	1,796,116	—
Total		<u>140,316,782</u>	<u>—</u>	<u>—</u>	<u>140,316,782</u>	<u>—</u>

Notes:

1. The share options outstanding as at 1 April 2002 were granted on 22 November 1999 at HK\$1.00 paid by each grantee, which entitle the holders to subscribe for ordinary shares of SRI at an exercise price of HK\$0.125 per share and are exercisable from 23 May 2000 to 22 November 2004 in accordance with the following terms:
 - (i) up to a maximum of 50% of the share option granted shall be exercisable on or after 23 May 2000; and
 - (ii) the full amount of the share options granted shall be exercisable on or after 23 May 2001
2. These share options granted to Ms. Shirley Choi Siu Lui and Mr. Norman Choi Sung Fung lapsed on 9 April 2002 pursuant to the SRI Option Scheme.
3. Mr. Choi Sai Leung was declared bankrupt by the High Court of Hong Kong on 3 April 2002 and these share options granted to him and Ms. Hui Kam Yip, the spouse of Mr. Choi Sai Leung, was cancelled on the same date, pursuant to the SRI Option Scheme.

4. These share options lapsed on 30 April 2002 pursuant to the SRI Option Scheme.
5. Due to the financial difficulties of the SRI Group, all the employment contracts of the staff and consultant were terminated before the year ended and, as at 30 September 2002, the outstanding options previously granted to the staff and consultant were not exercised and thus lapsed in accordance with the terms of the SRI Option Scheme.

Save as disclosed above, and under the section headed "Share Option Scheme" below, to the best knowledge of the Provisional Liquidators, during the reporting period none of the Directors, chief executives or their associates had any interests in any securities of the Company or any of its associated corporations, within the meaning of SDI Ordinance.

Substantial Shareholders

As trading in the securities of the Company has been suspended since 10:00 a.m. on 15 January 2002, no transfer of shares have been effected and registered thereafter. To the best of the knowledge of the Provisional Liquidators, having made all reasonable enquiries, according to the previous annual report of the Company the following parties with interest representing 10% or more of the Company's issued share capital were recorded in the register of substantial shareholders maintained pursuant to Section 16(1) of the Securities (Disclosure of Interests) Ordinance as at 15 January 2002:

Name of shareholders	Notes	Number of shares of the Company			Percentage of Issued share capital %
		Direct interest	held Deemed interest	Total interest	
Upyear		69,301,600	—	69,301,600	13.63
Norham	1	—	127,144,278	127,144,278	25.01
Celleroy (as trustee of the Celleroy Trust)	2	—	127,144,278	127,144,278	25.01

Notes:

1. Upyear is a wholly-owned subsidiary of Norham and the interest of Norham included its deemed interest in the 69,301,600 share in the Company held by Upyear.
2. Celeroy as trustee of the Celleroy Trust was deemed to be interested in 127,144,278 shares in the Company held by Norham by virtue of the Celleroy Trust's interest in Norham.

Save as disclosed above, the Company has not been notified of any other interests representing 10% or more of the issued share capital of the Company as at 31 March 2003.

In addition, as at 29 January 2004 the Company was notified by the following parties with interests representing 5% or more of the issued share capital of the Company pursuant to Section 336 of the SFO.

Name of shareholders	Number of shares of the Company held			Percentage of Issued share capital %
	Direct interest	Deemed interest	Total interest	
Bayerische Hypo-und Vereinsbank AG	25,662,000	—	25,662,000	5.25
Chung Wai Kuen	40,020,000	—	40,020,000	7.87

Purchase, Sale or Redemption of Listed Securities

The Provisional Liquidators were appointed on 5 December 2002. Consequently the Provisional Liquidators are not aware of whether the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the reporting period.

Employees

The Group had approximately 3 employees in Hong Kong during the reporting period. Remuneration packages are generally structured with reference to the market terms which include mandatory provident fund scheme.

Share Option Scheme

The Company operated a share option scheme for the purpose of providing incentives and rewards to eligible employees of the Group to subscribe for shares in the Company under the share option scheme of the Company adopted on 30 September 1999. The share option scheme, unless otherwise cancelled or amended, was to remain in force for five years from the respective dates of acceptance of the offers. The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee.

Subsequent to the amended chapter 17 of the Listing Rules with effect from 1 September 2001, no further share options were granted under the share option scheme to any eligible employees of the Company or any of its subsidiaries (including Executive Directors and other officers of the Company or its subsidiaries) to subscribe for shares in the Company in accordance with the terms of the share option Scheme.

Details of share options which have lapsed under the share option scheme during the year are as follows:

Name of Directors	Notes	Number of share options				At 30 September 2002
		At 1 April 2002	Granted during the year	Exercised during the year	Lapsed/Cancelled during the year	
Shirley Choi Siu Lui	1&2	12,700,000	—	—	—	12,700,000
Norman Choi Sung Fung	1&2	2,000,000	—	—	—	2,000,000
Choi Sai Leung	1&3	12,700,000	—	—	12,700,000	—
Hui Kam Yip	1&3	12,700,000	—	—	12,700,000	—
Ou Yirong	1&4	5,600,000	—	—	5,600,000	—
Vincent Cheung Wing Hung	1&5	1,000,000	—	—	—	1,000,000
Continuous Contract Employees	1	2,660,000	—	—	—	2,660,000
Total		<u>49,360,000</u>	<u>—</u>	<u>—</u>	<u>31,000,000</u>	<u>18,360,000</u>

Notes:

1. The share options outstanding as at 1 April 2002 were granted on 22 November 1999 at HK\$1.00 paid by each grantee, which entitle the holders to subscribe for ordinary shares of the Company at an exercise price of HK\$0.23 per share and are exercisable from 23 May 2000 to 22 November 2004 in accordance with the following terms:
 - (i) up to a maximum of 50% of the share option granted shall be exercisable on or after 23 May 2000; and
 - (ii) the full amount of the share options granted shall be exercisable on or after 23 May 2001
2. These share options granted to Ms. Shirley Choi Siu Lui and Mr. Norman Choi Sung Fung were lapsed on 22 March 2003 pursuant to the share option scheme.
3. Mr. Choi Sai Leung was declared bankrupt by the High Court of Hong Kong on 3 April 2002 as a result then the share options granted to him and Ms. Hui Kam Yip, the spouse of Mr. Choi Sai Leung, were cancelled on the same date pursuant to the share option scheme.
4. These share options lapsed on 30 April 2002 pursuant to the terms of the share option scheme.
5. These share options lapsed on 4 March 2003 pursuant to the terms of the share option scheme.

Save as disclosed above, to the best knowledge of the Provisional Liquidators, at no time during the reporting period was the Company or any of the 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 debt securities (including debentures) of the Company or any other body corporate, and none of the Directors, chief executives or their spouses or children under the age of eighteen had any right to subscribe for the securities of the Company, or had exercised any such right during the reporting period.

Corporate Governance

The Provisional Liquidators were appointed to the Company on 5 December 2002. The Provisional Liquidators have no knowledge as to whether the Company complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the reporting period.

For and on behalf of
I-China Holdings Limited
(Provisional Liquidators Appointed)
Cosimo Borrelli
Fan Wai Kuen
R. Craig Christensen
Joint and Several Provisional Liquidators
without personal liability

INDEPENDENT REVIEW REPORT

德勤·關黃陳方會計師行

Certified Public Accountants
26/F, Wing On Centre
111 Connaught Road Central
Hong Kong

香港中環干諾道中111號
永安中心26樓

**Deloitte
Touche
Tohmatsu**

TO THE PROVISIONAL LIQUIDATORS OF I-CHINA HOLDINGS LIMITED (Provisional Liquidators Appointed)

(incorporated in Bermuda with limited liability)

INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 14 to 28.

PROVISIONAL LIQUIDATORS' RESPONSIBILITIES

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the Provisional Liquidators.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Society of Accountants, except that the scope of our review was limited as explained below.

A review consists principally of making enquires of Provisional Liquidators and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report. However, the scope of our review was limited as set out below.

1. Our report on the financial statements of the Group for the year ended 31st March, 2002 was disclaimed in view of the pervasive nature of the limitations on the scope of our audit as explained in our audit report dated 30th August, 2002.

We were unable to obtain sufficient documentary evidence to satisfy ourselves that the following balances as at 31st March, 2002 included in the condensed consolidated balance sheet were free from material misstatement:

- Investment properties of HK\$150,900,000;
- Land and buildings of HK\$4,900,000;
- Interest in associates of Nil;
- Interest accruals of HK\$109,295,000 included in the item of “trade and other payables”;
and
- Bank and other borrowings of HK\$521,936,000.

Any adjustments found to be necessary to the opening net liabilities of the Group would have a consequential effect on the opening reserves of the Group as at 31st March, 2002 and on the loss of the Group for the six months ended 30th September, 2002. Also the comparative figures to the condensed consolidated balance sheet as at 31st March, 2002 shown on page 15 may not be comparable with the figures as at 30th September, 2002. Similarly, the comparative figures to the condensed consolidated income statement for the six months ended 30th September, 2001 shown on page 14 may not be comparable with the figures for the current period.

2. As explained in note 2(b) to the condensed consolidated financial statements, the information available to the Provisional Liquidators in preparing the interim financial report was limited. As a result, the Provisional Liquidators are unable to represent that all transactions entered into by the Company and its subsidiaries prior to their appointment are reflected in the books and records and in the condensed consolidated financial statements. Accordingly, the Provisional Liquidators were unable to satisfy themselves as to the completeness of identification and the appropriateness of the disclosure in respect of the potential claims, the commitments, the contingent liabilities and the pledge of assets in the condensed consolidated financial statements as at 30th September, 2002.
3. As explained in note 2(b)(i) to the condensed consolidated financial statements, due to the limited books and records available to the Provisional Liquidators, there is insufficient information for the Provisional Liquidators to satisfy themselves that all the amounts included in the condensed consolidated income statement for the six months ended 30th September, 2002 were free from material misstatement. As a result, the Provisional Liquidators were unable to satisfy themselves as to the reliability of the related disclosure in the condensed consolidated financial statements.
4. As explained in note 2(b)(ii) to the condensed consolidated financial statements, due to the limited books and records available to the Provisional Liquidators, the Provisional Liquidators were unable to assess whether any allowance for doubtful debt is required in respect of short-term receivables of HK\$6,483,000 as at 30th September, 2002. Accordingly, the Provisional Liquidators were unable to satisfy themselves as to whether these short-term receivables in the condensed consolidated balance sheet as at 30th September, 2002 were free from material misstatement.

5. As explained in note 2(b)(iii) to the condensed consolidated financial statements, due to the limited books and records available to the Provisional Liquidators, the Provisional Liquidators were unable to obtain sufficient evidence to satisfy themselves as to the validity of other receivables of HK\$571,000 as at 30th September, 2002 nor to assess whether any allowance for doubtful debt is required to be made in respect of these receivables. Accordingly, the Provisional Liquidators were unable to satisfy themselves as to whether these receivables in the condensed consolidated balance sheet as at 30th September, 2002 were free from material misstatement.
6. As explained in note 2(b)(iv) to the condensed consolidated financial statements, due to the limited books and records available to the Provisional Liquidators, the Provisional Liquidators were unable to obtain bank statements or other documentary evidence in respect of bank balances and cash of HK\$1,088,000 as at 30th September, 2002. Accordingly, the Provisional Liquidators were unable to satisfy themselves as to whether these bank balances and cash in the condensed consolidated balance sheet as at 30th September, 2002 were free from material misstatement.
7. As explained in note 2(b)(v) to the condensed consolidated financial statements, due to the limited books and records available to the Provisional Liquidators, the Provisional Liquidators were unable to obtain sufficient documentary evidence in respect of the amount of HK\$139,097,000 included in the item of “bank and other borrowings” as at 30th September, 2002. Accordingly, the Provisional Liquidators were unable to satisfy themselves as to whether these borrowings in the condensed consolidated balance sheet as at 30th September, 2002 and the related interest expenses of HK\$6,054,000 for the six months ended 30th September, 2002 were free from material misstatement.
8. As explained in note 2(b)(vi) to the condensed consolidated financial statements, due to the limited books and records available to the Provisional Liquidators, the Provisional Liquidators were unable to obtain sufficient documentary evidence in respect of the amounts of HK\$1,513,000 included in the items of “amounts due to associates” as at 30th September, 2002. Accordingly, the Provisional Liquidators were unable to satisfy themselves as to whether these amounts due to associates in the condensed consolidated balance sheet as at 30th September, 2002 were free from material misstatement.
9. As explained in note 2(b)(vii) to the condensed consolidated financial statements, due to the limited books and records available to the Provisional Liquidators, the Provisional Liquidators were unable to obtain sufficient documentary evidence in respect of amounts due to directors of HK\$1,666,000 as at 30th September, 2002. Accordingly, the Provisional Liquidators were unable to satisfy themselves as to whether these amounts due to directors in the condensed consolidated balance sheet as at 30th September, 2002 were free from material misstatement.
10. As explained in note 2(b)(viii) to the condensed consolidated financial statements, due to the limited books and records available to the Provisional Liquidators, the Provisional Liquidators were unable to determine the appropriate amount to be transferred from the asset revaluation reserve account to deficit account as a result of the realisation of asset revaluation reserve upon disposal of the properties held by associates during the year ended 31st March, 2002. Accordingly, the Provisional Liquidators were unable to satisfy themselves as to whether the asset revaluation reserve of HK\$223,734,000 as at 30th September, 2002 and 31st March, 2002; and the deficit of HK\$1,105,540,000 and HK\$949,539,000 as at 30th September, 2002 and 31st March, 2002 respectively in the condensed consolidated balance sheet were free from material misstatement.

Any adjustments to the above figures would as appropriate affect the net liabilities of the Group as at 30th September, 2002 and the loss and cash flows of the Group for the six months ended 30th September, 2002.

FUNDAMENTAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

In arriving at our review conclusion, we have considered the adequacy of the disclosure made in note 2(a) to the condensed consolidated financial statements which explains that the Company, acting through the Provisional Liquidators, entered into an agreement for the implementation of a restructuring proposal (the “Restructuring Agreement”) amongst others, with Wai Kee Holdings Limited on 20th November, 2003. As at the date of this report, completion of the Restructuring Agreement will require fulfillments of certain conditions including the relevant approvals from The Stock Exchange of Hong Kong Limited, the Securities and Futures Commission as well as the Supreme Court of Bermuda and the Court of First Instance of the High Court of Hong Kong. The Provisional Liquidators have prepared the condensed consolidated financial statements on a going concern on the basis that the Restructuring Agreement will be implemented in full on completion and the restructured Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. The condensed consolidated financial statements do not include any adjustments that would result from the failure of proposed restructuring. We consider that appropriate disclosures have been made. However, in view of the extent of the uncertainty relating to the completion of the restructuring arrangement, we are unable to reach a conclusion for the purposes of our review as to whether the going concern basis used in preparing the condensed consolidated financial statements is appropriate.

INABILITY TO REACH A REVIEW CONCLUSION

Because of the significance of the possible effect of the limitations in evidence available to us as set out in the “review work performed” section and because of the significance of the fundamental uncertainty relating to the going concern basis, we are unable to reach a review conclusion as to whether material modifications should be made in the interim financial report for the six months ended 30th September, 2002.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 29th January, 2004

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September, 2002

		Six months ended 30th September,	
		2002	2001
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Turnover		1,430	1,379
Direct operating expenses		(1,049)	(1,256)
Other operating income		499	702
Selling and administrative expenses		(2,629)	(2,542)
Other operating expenses		<u>(148,900)</u>	<u>(2,000)</u>
Loss from operations	5	(150,649)	(3,717)
Finance costs		(5,352)	(35,522)
Share of results of associates		—	(32,613)
Loss on partial disposal of an associate		<u>—</u>	<u>(37,338)</u>
Loss before taxation		(156,001)	(109,190)
Taxation	6	<u>—</u>	<u>—</u>
Net loss for the period		<u>(156,001)</u>	<u>(109,190)</u>
Loss per share — basic	7	<u>(30.69 cents)</u>	<u>(21.48 cents)</u>

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th September, 2002

	<i>Notes</i>	30th September, 2002 HK\$'000 (Unaudited)	31st March, 2002 HK\$'000 (Audited)
Non-current assets			
Investment properties	8	—	150,900
Property, plant and equipment		7,481	8,320
Interests in associates	9	—	—
		<u>7,481</u>	<u>159,220</u>
Current assets			
Short-term receivables		6,483	6,483
Trade and other receivables	10	914	280
Amounts due from associates		31	—
Taxation recoverable		2,541	2,541
Bank balances and cash		1,088	1,016
		<u>11,057</u>	<u>10,320</u>
Current liabilities			
Trade and other payables	11	112,742	116,378
Amounts due to associates		10,159	9,836
Amounts due to directors		1,666	—
Taxation payable		1,858	1,858
Obligations under finance leases		235	328
Bank and other borrowings		545,547	538,808
		<u>672,207</u>	<u>667,208</u>
Net current liabilities		<u>(661,150)</u>	<u>(656,888)</u>
		<u>(653,669)</u>	<u>(497,668)</u>
Capital and reserves			
Share capital		5,083	5,083
Reserves		(658,752)	(502,751)
		<u>(653,669)</u>	<u>(497,668)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2002

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Investment property revaluation reserve <i>HK\$'000</i>	Asset revaluation reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Deficit <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April, 2001	50,834	414,978	115	168,788	49,769	11,278	218,207	(2,690)	(1,196,929)	(285,650)
Share of post-acquisition reserve movements of associates not recognised in income statement	—	—	—	—	—	—	64	1,376	—	1,440
Realised on disposal of properties	—	—	—	—	—	—	(7,038)	—	7,038	—
Realised on partial disposal of an associate	—	—	—	—	4,836	—	14,431	860	—	20,127
Net loss for the period	—	—	—	—	—	—	—	—	(109,190)	(109,190)
At 30th September, 2001 and 1st October, 2001	50,834	414,978	115	168,788	54,605	11,278	225,664	(454)	(1,299,081)	(373,273)
Deficit arising on revaluation of investments properties not recognised in income statement	—	—	—	—	—	(11,278)	—	—	—	(11,278)
Effect of capital reduction	(45,751)	(414,978)	—	—	—	—	—	—	460,729	—
Realised on disposal of properties	—	—	—	—	—	—	(1,930)	—	1,930	—
Net loss for the period	—	—	—	—	—	—	—	—	(113,117)	(113,117)
At 31st March 2002 and 1st April, 2002	5,083	—	115	168,788	54,605	—	223,734	(454)	(949,539)	(497,668)
Net loss for the period	—	—	—	—	—	—	—	—	(156,001)	(156,001)
At 30th September, 2002	5,083	—	115	168,788	54,605	—	223,734	(454)	(1,105,540)	(653,669)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September, 2002

	Six months ended	
	30th September,	
	2002	2001
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited & Restated)
NET CASH FROM OPERATING ACTIVITIES	221	488
NET CASH FROM INVESTING ACTIVITIES	573	41,820
NET CASH USED IN FINANCING ACTIVITIES	(722)	(42,282)
NET INCREASE IN CASH AND CASH EQUIVALENTS	72	26
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	1,016	999
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	1,088	1,025
 ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalent as previously reported		(165,293)
Effect of reclassification of bank and other borrowings		166,318
Cash and cash equivalents as restated		1,025

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September, 2002

1. GENERAL

The Company is an exempted company incorporated in Bermuda with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The trading of the shares in the Company on the Stock Exchange has been suspended since 15th January, 2002.

On 5th December, 2002, Messrs. Cosimo Borrelli and Fan Wai Kuen, of RSM Nelson Wheeler Corporate Advisory Services Limited were appointed by the High Court of Hong Kong (the “High Court”) as joint and several provisional liquidators of the Company (the “Provisional Liquidators”) to, amongst other things, protect the assets of the Company and to facilitate a restructuring of the Company.

2. BASIS OF PREPARATION

- (a) The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited and with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants.

In preparing the condensed consolidated financial statements, the Provisional Liquidators have given careful consideration to the future liquidity of the Group in the light of the Group’s net liabilities of HK\$654 million (31st March, 2002: HK\$498 million) as at 30th September, 2002.

As explained in note 13, the Company, acting through the Provisional Liquidators, entered into an agreement for the implementation of a restructuring proposal (the “Restructuring Agreement”), amongst others, with Wai Kee Holdings Limited (“Wai Kee”, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange), on 20th November, 2003. The restructuring proposal includes, inter alia, a capital restructuring, debt restructuring involving schemes of arrangement and a subscription of new shares and the injection of certain assets (the “Proposed Restructuring”).

As at the date of this report, completion of the Restructuring Agreement will require the fulfillments of certain conditions including relevant approvals from the Stock Exchange, the Securities and Futures Commission as well as the Supreme Court of Bermuda and the Court of First Instance of the High Court of Hong Kong (the “Courts”).

The Provisional Liquidators have prepared the condensed consolidated financial statements on a going concern on the basis that the Restructuring Agreement will be implemented in full on completion and the restructured Group will be able to meet in full its financial obligations as they fall due for the foreseeable future.

- (b) These condensed consolidated financial statements were prepared based on the limited books and records and other latest information available to the Provisional Liquidators. As a result, the Provisional Liquidators have used their best endeavour to assess all the financial and business records of the Group. As the Provisional Liquidators did not exercise any control over the business, property and affairs of the Group prior to their appointment on 5th December, 2002, they do not have the same level of knowledge of the financial affairs of the Company and the Group as the Company's directors. The key management and staff responsible for maintaining the books and records of the Group have left the Group and the Provisional Liquidators do not have all the books and records. The information available to the Provisional Liquidators is limited. As a result, the Provisional Liquidators are unable to represent that all transactions entered into by the Company and its subsidiaries prior to their appointment are reflected in the books and records and in the condensed consolidated financial statements. Accordingly, the Provisional Liquidators were unable to satisfy themselves as to the completeness of identification and the appropriateness of the disclosure in respect of the potential claims, the commitments, the contingent liabilities and the pledge of assets in the condensed consolidated financial statements as at 30th September, 2002.

In addition, the Provisional Liquidators were unable to obtain sufficient documentary information to satisfy themselves regarding the matters described below.

- (i) Due to the limited books and records available to the Provisional Liquidators, there is insufficient information for the Provisional Liquidators to satisfy themselves that all the amounts included in the condensed consolidated income statement for the six months ended 30th September, 2002 were free from material misstatement. As a result, the Provisional Liquidators were unable to satisfy themselves as to the reliability of the related disclosure in the condensed consolidated financial statements.
- (ii) Due to the limited books and records available to the Provisional Liquidators, the Provisional Liquidators were unable to assess whether any allowance for doubtful debt is required in respect of short-term receivables of HK\$6,483,000 as at 30th September, 2002. Accordingly, the Provisional Liquidators were unable to satisfy themselves as to whether these short-term receivables in the condensed consolidated balance sheet as at 30th September, 2002 were free from material misstatement.
- (iii) Due to the limited books and records available to the Provisional Liquidators, the Provisional Liquidators were unable to obtain sufficient evidence to satisfy themselves as to the validity in respect of other receivables of HK\$571,000 as at 30th September, 2002 nor to assess whether any allowance for doubtful debt is required to be made in respect of these receivables. Accordingly, the Provisional Liquidators were unable to satisfy themselves as to whether these receivables in the condensed consolidated balance sheet as at 30th September, 2002 were free from material misstatement.

- (iv) Due to the limited books and records available to the Provisional Liquidators, the Provisional Liquidators were unable to obtain bank statements or other documentary evidence in respect of bank balances and cash of HK\$1,088,000 as at 30th September, 2002. Accordingly, the Provisional Liquidators were unable to satisfy themselves as to whether these bank balances and cash in the condensed consolidated balance sheet as at 30th September, 2002 were free from material misstatement.
- (v) Due to the limited books and records available to the Provisional Liquidators, the Provisional Liquidators were unable to obtain sufficient documentary evidence in respect of the amount of HK\$139,097,000 included in the item of “bank and other borrowings” as at 30th September, 2002. Accordingly, the Provisional Liquidators were unable to satisfy themselves as to whether these borrowings in the condensed consolidated balance sheet as at 30th September, 2002 and the related interest expenses of HK\$6,054,000 for the six months ended 30th September, 2002 were free from material misstatement.
- (vi) Due to the limited books and records available to the Provisional Liquidators, the Provisional Liquidators were unable to obtain sufficient documentary evidence in respect of the amount of HK\$1,513,000 included in the item of “amounts due to associates” as at 30th September, 2002. Accordingly, the Provisional Liquidators were unable to satisfy themselves as to whether these amounts due to associates in the condensed consolidated balance sheet as at 30th September, 2002 were free from material misstatement.
- (vii) Due to the limited books and records available to the Provisional Liquidators, the Provisional Liquidators were unable to obtain sufficient documentary evidence in respect of amounts due to directors of HK\$1,666,000 as at 30th September, 2002. Accordingly, the Provisional Liquidators were unable to satisfy themselves as to whether these amounts due to directors in the condensed consolidated balance sheet as at 30th September, 2002 were free from material misstatement.
- (viii) Due to the limited books and records available to the Provisional Liquidators, the Provisional Liquidators were unable to determine the appropriate amount to be transferred from the asset revaluation reserve account to deficit account as a result of the realisation of asset revaluation reserve upon disposal of the properties held by associates during the year ended 31st March, 2002. Accordingly, the Provisional Liquidators were unable to satisfy themselves as to whether the asset revaluation reserve of HK\$223,734,000 as at 30th September, 2002 and 31st March, 2002; and the deficit of HK\$1,105,540,000 and HK\$949,539,000 as at 30th September, 2002 and 31st March, 2002 respectively in the condensed consolidated balance sheet were free from material misstatement.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost convention as modified for the revaluation of properties.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March, 2002, except as described below.

In the current period, the Group has adopted, for the first time, the following new and revised SSAPs issued by the Hong Kong Society of Accountants. The adoption of these SSAPs has resulted in a change in the format of presentation of cashflow statement and an inclusion of a statement of changes in equity, but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

Foreign currencies

The revisions to SSAP 11 "Foreign currency translation" have eliminated the choice of translating the income statements of overseas operations at the closing rate for the period, the policy previously followed by the Group. They are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

Cash Flow Statements

Under SSAP 15 (Revised) "Cash flow statements", cash flows are classified under three headings — operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under a separate heading, are classified as operating and financing cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. In addition, the amount present for cash and cash equivalents have been amended to exclude short-term bank and other borrowings that are financing in nature. Cash flows of overseas operations have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange ruling on the balance sheet date. The re-definition of cash and cash equivalents has resulted in a restatement of the comparative amounts shown in the cash flow statement.

Employees benefits

SSAP 34 "Employee benefits" introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any material impact on the financial statements.

4. SEGMENT INFORMATION

All of the Group's turnover and contribution to results from operations are attributable to the hiring of motor vehicles in Hong Kong.

5. LOSS FROM OPERATIONS

	Six months ended 30th September,	
	2002	2001
	HK\$'000	HK\$'000
Loss from operations has been arrived at after charging (crediting):		
Depreciation and amortisation of property, plant and equipment	577	790
Loss on disposal of investment properties	1,100	2,000
Investment properties in the People's Republic of China (the "PRC") written off	147,800	—
(Gain) loss on disposal of property, plant and equipment	<u>(311)</u>	<u>750</u>

6. TAXATION

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Company and its subsidiaries did not have any estimated assessable profits for both periods.

7. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the period of HK\$156,001,000 (2001: HK\$109,190,000) and on 508,339,764 (2001: 508,339,764) shares in issue during the period.

8. INVESTMENT PROPERTIES

The Group's investment properties situated in the PRC were revalued as at 31st March, 2002 by Chesterton Petty Limited, international property consultants, on an open market existing use basis amounting to HK\$147,800,000. According to the Company's annual report for the year ended 31st March, 2002, the Group was in the process of obtaining Certificate for Housing Ownership of these properties.

Since their appointment, the Provisional Liquidators have appointed PRC legal advisors to ascertain the status in respect of the Group's titles to the investment properties. The PRC legal advisors indicate that the Group does not have legal titles to the investment properties. As a result, the Provisional Liquidators have written off the Group's investment properties during the six months ended 30th September, 2002.

9. INTERESTS IN ASSOCIATES

At 30th September, 2002, the Group held 27.55% equity interest in Seapower Resources International Limited (“SRI”), a principal associate of the Group, which is principally engaged in cold storage warehousing, logistic management and property investment.

Pursuant to the Orders of the Court of First Instance of the High Court dated 31st December, 2001, provisional liquidators were appointed to SRI (“SRI Provisional Liquidators”) with effect from 31st December, 2001.

On 14th May, 2003, SRI has entered into a conditional restructuring agreement, amongst others, with an investor, regarding a restructuring proposal for SRI (the “SRI Restructuring Proposal”). The SRI Restructuring Proposal involves, amongst other things, the capital restructuring, debt restructuring and the subscription of new shares and warrants by the investor. Upon completion of the SRI New Restructuring Proposal, the Group’s equity interest in SRI is estimated to be diluted from 27.55% to 0.53%.

On 5th December, 2003, the SRI Restructuring Proposal was completed and the SRI Provisional Liquidators have been released and discharged as joint and several provisional liquidators of SRI in accordance with the orders of the court.

10. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 days to its trade customers.

Included in trade and other receivables are trade receivable (net of allowance for bad and doubtful debts) with the aged analysis as follows:

	30th September, 2002 HK\$’000	31st March, 2002 HK\$’000
Trade receivables		
0-30 days	114	145
31-60 days	59	99
More than 60 days	170	36
	343	280
Other receivables	571	—
	914	280

11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payable with aged analysis as follows:

	30th September, 2002	31st March, 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables		
31-60 days	—	13
More than 60 days	—	13
	<hr/>	<hr/>
	—	26
Other payables	112,742	116,352
	<hr/>	<hr/>
	112,742	116,378
	<hr/> <hr/>	<hr/> <hr/>

12. LITIGATION

- (a) In December 1998, the Company entered into an agreement (the “Agreement”) with China Merchants Bank (“CMB”) and certain third parties (the “Third Parties”). Under the terms of the Agreement, a loan of US\$22.5 million from CMB to the Third Parties was to be assumed by the Group in consideration for the transfer of certain debts owed to the Third Parties, certain shares, properties and land use rights in the PRC. In early 2000, the directors of the Company challenged the validity of the Agreement and since then, the Group has withheld all the repayments to CMB. On 20th July, 2000, CMB issued a writ of summons against the Group, claiming immediate repayment of all amounts due from the Group including interest and costs pursuant to the Agreement and a separate loan agreement. The directors of the Company filed a counterclaim against CMB and the Third Parties.

On 28th September, 2000, CMB was granted an injunction by the court restricting, among other things, the following:

- (i) The Group from dealing with the balance of HK\$24,120,000 million arising from the disposal of a property save for effecting payment for the discharge of the outstanding mortgage and related expenses without the approval of the High Court (after discharge of the mortgage and payment of costs and expenses, a such of HK\$6,482,500 was paid into court on 5th January, 2001 pursuant to the order); and
- (ii) a subsidiary of the Company, Seapower Consortium Company Limited, from disposing or dealing with or diminishing the value of its assets up to the value of US\$10 million (31st March, 2002: US\$10 million).

On 15th June, 2001, the High Court dismissed CMB’s application for summary judgment against the Group. As at the date of the appointment of the Provisional Liquidators, the total amount of outstanding principal and interest due to CMB (including the amount in dispute) was approximately HK\$462 million.

- (b) On 20th December, 2001, Peregrine Brokerage Limited (“Peregrine”) obtained judgment against a subsidiary of the Company for the sum of approximately HK\$109 million plus interest thereon, being the amount due and payable under the facilities granted pursuant to a margin agreement dated 4th September, 1997 entered into between Peregrine and the subsidiary. There were no other corporate guarantees by other members of the Group. The margin facilities were secured by 159,315,000 shares of SRI (before the capital restructuring of SRI). The judgment remains unpaid as at the date of this report and continues to accrue interest at the rate prescribed from time to time by the High Court.

- (c) As disclosed in the Annual Report for the financial year ended 31st March, 2002, in July 2000, the Group commenced a lawsuit at High People’s Court, Hubei Province, the PRC against Huangshi Kangsai Group Co., Ltd. (“Huangshi Kangsai”) claiming for an amount of HK\$23 million pursuant to an undertaking given by Huangshi Kangsai. On 6th September, 2000, the High People’s Court, Hubei Province, the PRC granted an order in favour of the Group to freeze the assets of Huangshi Kangsai for such value as equivalent to approximately HK\$30 million. Due to the limited books and records available to the Provisional Liquidators, there is insufficient information for the Provisional Liquidators to determine the status of this litigation at this stage and accordingly, no amount has been accounted for in the financial statements.

- (d) As disclosed in the Annual Report for the financial year ended 31st March, 2002, in July 2000, the Group commenced proceedings against New Era Group (H.K.) Limited (“New Era”) and Cross Union Development Limited (“Cross Union”) at Middle People’s Court, Shenzhen, the PRC claiming for the amount of US\$800,000 (equivalent to approximately HK\$6.2 million) and interests of US\$100,000 (equivalent to approximately HK\$780,000) thereon, being deposit paid by the Group for the acquisition of the entire issued share capital of an associate of New Era in respect of an agreement dated 3rd April, 1995, as supplemented by a supplemental agreement dated 19th May, 1995. The amounts have been fully provided for in the accounts in previous years. Due to limited books and records available to the Provisional Liquidators, there is insufficient information for the Provisional Liquidators to determine the status of this litigation at this stage.

Pursuant to section 186 of the Hong Kong Companies Ordinance and section 167(4) of the Companies Act 1981 of Bermuda, upon the appointment of Provisional Liquidators to the Company, no action or proceeding shall be proceeded with or commenced against the Company except by leave of the Courts. As at the date of this report, no party has sought leave of the Courts to continue any of the following actions involving the Company. Accordingly, there is no progress in relation to the proceedings between the Company and CMB as noted in (a) above. There is also no progress in relation to the proceedings between the Group and Huangshi Kangsai, the proceedings between the Group and Peregrine and the proceedings between the Group and New Era as noted in (b), (c) and (d) above respectively. The liabilities and contingent liabilities, if any, arising from the actions above will be dealt with under the proposed schemes of arrangement as referred in note 13(b).

Other than the above, based on the books and records available to the Provisional Liquidators, the Group did not have any significant outstanding claims, counterclaims and threatened litigations with other parties as at 30th September, 2002.

13. POST BALANCE SHEET EVENT

On 20th November, 2003, the Company, acting through the Provisional Liquidators, entered into the Restructuring Agreement, amongst others, with Wai Kee.

The following transactions of the Restructuring Agreement are proposed:

(a) The capital restructuring (“Capital Restructuring”)

The existing authorised share capital of the Company is HK\$80,000,000 divided into 8,000,000,000 ordinary shares, of which 508,339,764 ordinary shares are issued and credited as fully paid up. Under the Proposed Restructuring, the Company’s share capital will be reorganised as follows:

- (i) the issued share capital of approximately HK\$5,083,000 will be reduced by approximately HK\$3,815,000 to approximately HK\$1,270,000 by cancelling the paid-up capital to the extent of HK\$0.0075 on each of the 508,339,764 issued shares of HK\$0.01 each so that each of such issued shares shall be treated as one fully paid share of HK\$0.0025. The credit of approximately HK\$3,813,000 arising from the capital reduction will be applied to eliminate an equivalent amount of the Company’s deficit;
- (ii) every four issued shares reduced pursuant to (i) above will be consolidated into one new share of HK\$0.01. Accordingly, 508,339,764 issued shares of HK\$0.0025 will be consolidated into 127,084,941 issued new shares of HK\$0.01 each;
- (iii) the unissued share capital of approximately HK\$74,913,000 in the authorised share capital of HK\$80,000,000 of the Company be cancelled and diminished resulting in an authorised and issued share capital of approximately HK\$1,270,000; and
- (iv) the authorised share capital of the Company will be increased from approximately HK\$1,270,000 to HK\$200,000,000 divided into ordinary share of HK\$170,000,000 and preference shares of HK\$30,000,000, including 6,314,084,941 issued new shares and 10,685,915,059 unissued new shares and 3,000,000,000 issued preference shares upon completion.

(b) The debt restructuring

Pursuant to the proposed schemes of arrangement under section 99 of the Companies Act 1981 of Bermuda and section 166 of the Hong Kong Companies Ordinance between the Company and creditors to whom the Company owes a claim other than the preferential creditors of the Company and Wai Kee (“Creditors”) to be approved by or imposed by the Courts, with or without any modification (the “Schemes”), in consideration of the Creditors’ discharging and waiving all their claims against the Company, the Schemes’ administrators will receive the following with an estimated value of HK\$24 million for distribution to the Creditors:

- (i) HK\$22 million in cash from the proceeds of subscription as described in note 13(c) to be paid by Wai Kee upon completion;
- (ii) 200,000,000 new ordinary shares of HK\$0.01 each (representing approximately 3.2% of the issued share capital of the Company upon completion of the Restructuring Agreement and subscription of new shares by Wai Kee but before the distribution and conversion of the Company’s preference shares); and
- (iii) the granting of put option by Wai Kee to the Creditors and/or the Schemes’ administrators to sell all or part of the 200,000,000 new ordinary shares to Wai Kee at a price of HK\$0.01 per new share exercisable within 90 days after the expiry of two years following completion. The put option is exercisable by the Creditors at their sole discretion.
- (iv) any cash held by the Company as at the date of completion of the Restructuring Agreement and the subscription agreement.

(c) The subscription (“Subscription”)

Immediately after the implementation of the Capital Restructuring, Wai Kee shall subscribe and the Company shall allot and issue 5,987,000,000 new ordinary shares at HK\$0.01 each and 3,000,000,000 new preference shares of HK\$0.01 each in accordance to the terms of the Restructuring Agreement and the subscription agreement.

The total consideration for the subscription of new shares payable by Wai Kee is HK\$89.87 million, which will be satisfied as follows:

- HK\$29.87 million in cash; and
- HK\$60 million by way of the injection of assets as described in note 13(e) by Wai Kee into the Company.

The aggregate cash proceeds from the subscription of new shares of HK\$29.87 million will be applied as follows:

- HK\$22 million for the cash payment to the Creditors under the Schemes; and
- the balance of HK\$7.87 million for the settlement of the restructuring costs and expenses to be incurred in relation to the implementation of the Proposed Restructuring.

(d) Group reorganisation

Pursuant to the Proposed Restructuring, all the subsidiaries of the Company other than Trinity Rent-A-Car Limited (“Trinity”) will be transferred to the Provisional Liquidators or Schemes’ administrators (or their nominees) at a nominal consideration of HK\$1. The shares of the subsidiaries other than Trinity shall be held on trust for the Creditors.

Wai Kee has also been provided with an option (the “Trinity Option”), exercisable at its sole discretion before completion of the Restructuring Agreement and subscription of new shares by Wai Kee, to transfer the entire issued share capital of Trinity to the Provisional Liquidators or the Schemes’ administrators (or their nominees) on trust for the Creditors at the nominal value of HK\$1. The Trinity Option is to allow time for Wai Kee to finalise their future plans for restructuring of the Group.

(e) Injection of assets

Pursuant to the restructuring proposal dated 11th August, 2003, entered into among the Provisional Liquidators, Wai Kee and RSM Nelson Wheeler Corporate Advisory Services Limited, Wai Kee will inject certain companies (the “Injected Assets”), into the Company for a total consideration of HK\$60 million. The principal activities of the Injected Assets are the undertaking of civil construction projects mainly for the public sector in Hong Kong, the PRC and Taiwan.

Further details of the above were set out in the announcement jointly made by the Company and Wai Kee dated 18th December, 2003.