

SUBSEQUENT EVENTS

During the current period, the Company through its wholly-owned subsidiary, Welback International Investments Limited (“WIIIL”), entered into an agreement (“JV Agreement”) with independent third parties for the formation of a company (“JV Co”) which will be involved in waste and/or water treatment projects in PRC and Hong Kong. Pursuant to the JV Agreement, WIIIL shall subscribe for 40% of the issued share capital of the JV Co by cash at a subscription price of HK\$40,404,040. A deposit of HK\$12,121,212 representing 30% of the subscription price was paid by the Company on 18 October 2000. As part of the formation of the JV Co, the parties to the JV Agreement tried to establish shareholders’ agreement to regulate the rights and obligations of each of the parties to the JV Agreement as shareholders of the JV Co. However after lengthy negotiations, the parties to the JV Agreement could not reach an agreement on certain terms and conditions of a shareholders’ agreement. As a result, the parties to the JV Agreement entered into the Cancellation Agreement on 22 January 2001, whereby the JV Agreement was cancelled and the Company received HK\$11,555,555 as refund of the deposit paid by the Company after deducting certain expenses. In addition, a total sum of HK\$216,850, being interest earned on the deposits paid will be returned to the respective parties.

On 5 February 2001, in order to further reduce the interest burden of the Company, with the agreement with the convertible bondholders, the Company has fully redeemed the outstanding balance of 3% convertible bonds in the amount of HK\$10 million.