1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). However, the trading of the Company's shares on the Stock Exchange has been suspended since 30 June 2003. The Company has been placed in the third stage of delisting procedures pursuant to Practice Note 17 of the Rules Governing the Listing of Securities on the Stock Exchange. On 27 January 2005 a proposal was submitted by the financial adviser to the Stock Exchange for the resumption of trading in the Company's shares.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 36.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In view of the limited amount of cashflow of the Group, the Directors have been taking the following steps to improve the financial position of the Group.

(a) As explained further in note 19, the Directors are continuing to arrange for the transfer of title of the properties held for sale to the Group.

(b) As explained further in note 19, during the year ended 30 June 2002, the Group entered into an agreement with an independent third party (the "Purchaser") for the disposal of the properties mentioned in (a) above for a consideration of approximately HK$83,000,000 against which a deposit of approximately HK$25,757,000 is held by the Group. The agreement is conditional upon the completion of the due diligence exercise which includes the obtaining of legal title of the properties by the Group. On 16 August 2005, the Group and the Purchaser signed a supplementary agreement and agreed that the deposit of RMB27,500,000 (equivalent to approximately HK$25,757,000) paid by the Purchaser was treated as the consideration for the whole of the 20th floor and approximately 5% of the 4th floor of the relevant Properties.

(c) The Directors are continuing to negotiate with the prospective purchaser mentioned in (b) above to complete the disposal of the properties held for sale mentioned in (a) above.

(d) As explained in note 37(b), on 7 September 2005 and 4 October 2005, the Group entered into an agreement with an independent third party for the disposal of investment properties for a consideration of HK$104,000,000. This agreement is subject to terms as explained in note 37(b)(i) and (ii).

Provided that the transactions referred in the paragraphs (a), (c) and (d) above are successfully completed, the Directors are satisfied that the Group will have sufficient working capital to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which includes all applicable Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

In 2004, the HKICPA has issued a number of new or revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (herein collectively referred to as "new HKFRSs"), which are generally effective for accounting periods beginning on or after 1 January 2005.

HKFRS 3 is applicable to business combinations for which the agreement date is on or after 1 January 2005. The Group has not entered into any business combination for which the agreement date is on or after 1 January 2005. Therefore, HKFRS 3 did not have any impact on the Group for the year ended 30 June 2005.

The Group has not early adopted these new HKFRSs in the financial statements for the year ended 30 June 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

The financial statements are prepared under the historical cost modified by the revaluation of investment properties as explained in the accounting policies set out below.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances with the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated income statement. Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(c) Associates

An associate is a company in which the Group or Company has significant influence and which is neither a subsidiary nor a joint venture of the Company.

The investments in associates are accounted for in the consolidated balance sheet under the equity method whereby the investments are initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of net assets of the associates. The results of the associates are accounted for in the consolidated income statement to the extent of the Group's share of the associates' results of operations. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates plus the goodwill on acquisition in so far as it has not already been written off or amortised, less any identified impairment loss.

(d) Joint ventures

Jointly controlled entity

Jointly controlled entity is a contractual arrangement that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest.

Investment in jointly controlled entity is stated at cost less impairment losses unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the venturer, in which case, it is stated at fair value with changes in fair value recognised in the income statement as they arise. The results of jointly controlled entity are accounted for on the basis of dividends received and receivable.

Interests in a jointly controlled entity is accounted for in the consolidated financial statements using the equity method.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(f) Revenue recognition

Rental income, including rentals invoiced in advance from properties let under operating leases, is recognised on a straight line basis over the term of the relevant lease.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income is accrued on a time-apportioned basis, by reference to the principal outstanding and at the interest rate applicable.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential with rental income being negotiated at arm's length.

Investment properties are stated in the balance sheet at their open market value on the basis of period end valuation carried out annually by persons holding a recognised professional qualification in valuing properties and having recent post-qualification experience in valuing properties in the location and in the category of the properties concerned; and at least every three years by an external valuer with similar qualifications. Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining periods of the leases.

Changes in the value of investment properties is treated as movements in an investment property revaluation reserve, unless the total of this reserve is insufficient to cover a deficit on a portfolio basis, in which case the amount by which the deficit exceeds the total amount in the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged. Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the income statement.

(h) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis to write off the cost of assets as modified by the revaluation of certain property, plant and equipment to their residual values over their estimated useful lives as follows:

Leasehold land and buildings	5%
Leasehold improvements	10% or over the terms of the relevant leases, if shorter
Furniture, fixtures and equipment	9% to 20%
Motor vehicles	9% to 20%
Computer equipment	9% to 20%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as assets owned by the Group.

Gain or losses arising from the retirement or disposal of fixed assets are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement on the date of retirement or disposal.

Property, plant and equipment are reviewed periodically for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Properties held for sales

These properties are stated at the lower of cost and net realisable value. Cost includes all development expenditure and other direct costs attributable to such properties. Net realisable value is estimated by the Directors based on prevailing market prices, on an individual property basis, less any further costs expected to be incurred on disposal.

(j) Inventories

Inventories comprise raw materials, work-in-progress and finished goods are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in first-out method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) Assets under leases

(i) Finance leases

Leases that substantially transfer to the company all the rewards and risks of ownership of assets are accounted for as finance leases. At the inception of a finance lease, the fair value of the asset is recorded together with the obligation, excluding the interest element, to pay future rentals.

Payments to the lessor are treated as consisting of capital and interest elements. Finance charges are debited to the income statement over the periods of the leases so as to produce an approximately constant periodic rate of charge on the remaining balances of the obligation for each accounting period.

Assets held under finance leases are depreciated over the shorter of the lease term and their estimated useful lives on the same basis as owned assets. Impairment losses are accounted for in accordance with the accounting policy as set out in note 4(e).

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Assets under leases (cont'd)

(ii) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals payables under such operating leases are accounted for in the income statement on a straight-line basis over the periods of the respective lease.

(l) Foreign currencies

Transactions in foreign currencies during the year are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the income statement.

The balance sheet of subsidiaries, jointly-controlled entities and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the income statement is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

(m) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entity, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) Taxation (cont'd)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(n) Employee benefits

Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to defined contribution retirement scheme are recognised as an expense in the consolidated income statement as incurred, except to the extent that they are included in the cost of intangible assets and inventories not yet recognised as an expense.

(o) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits it remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(q) Retirement benefit scheme

Payments to the retirement benefits scheme contributions are charged as expenses as they fall due.

5. SEGMENT INFORMATION

Business segments

The Group is currently operating into two business segments, property investment and manufacturing and trading of equipment and accessories for broadband and cable television.

The Group has designated business segments as the Group's primary reporting format.

Turnover of the Group represents net amounts received and receivable for goods sold by the Group to outside customers, less returns and allowances and property rental income received and receivable during the year.

Segment information about these businesses is presented below:

Consolidated income statement

	2005		
	Property investment HK$'000	Manufacturing and trading HK$'000	Consolidated HK$'000
Turnover	3,600	1,353	4,953
Segment result	36,440	(6)	36,434
Unallocated corporate income			83
Unallocated corporate expenses			(15,964)
Profit from operations			20,553
Finance costs			(9,020)
Profit attributable to shareholders			11,533

5. SEGMENT INFORMATION (cont'd)

Consolidated income statement (cont'd)

	2004		
	Property investment HK$'000	Manufacturing and trading HK$'000	Consolidated HK$'000
Turnover	3,089	3,356	6,445
Segment result	18,786	(1,686)	17,100
Unallocated corporate income			1,122
Unallocated corporate expenses			(9,094)
Profit from operations			9,128
Finance costs			(9,341)
Loss arising from a guarantee granted in respect of liabilities of a former related company			(5,000)
Loss attributable to shareholders			(5,213)

Consolidated balance sheet

	2005		
	Property investment HK$'000	**Manufacturing and trading HK$'000**	**Consolidated HK$'000**
ASSETS			
Segment assets	**186,933**	**1,619**	**188,552**
Unallocated corporate assets			**373**
Consolidated total assets			**188,925**
LIABILITIES			
Segment liabilities	**27,374**	**8,755**	**36,129**
Unallocated corporate liabilities			**121,517**
Consolidated total liabilities			**157,646**

5. SEGMENT INFORMATION (cont'd)

Consolidated balance sheet (cont'd)

	Property investment HK$'000	**Manufacturing and trading HK$'000**	**Others HK$'000**	**Consolidated HK$'000**
OTHER INFORMATION				
Capital expenditure	–	8	–	8
Depreciation and amortisation	–	293	17	310

	2004		
	Property investment HK$'000	Manufacturing and trading HK$'000	Consolidated HK$'000
ASSETS			
Segment assets	150,207	2,806	153,013
Unallocated corporate assets			528
Consolidated total assets			153,541
LIABILITIES			
Segment liabilities	26,512	9,650	36,162
Unallocated corporate liabilities			101,308
Consolidated total liabilities			137,470

	Property investment HK$'000	Manufacturing and trading HK$'000	Others HK$'000	Consolidated HK$'000
OTHER INFORMATION				
Capital expenditure	–	3	10	13
Depreciation and amortisation	–	395	182	577
Provision for bad and doubtful debts	–	1,116	–	1,116

5. SEGMENT INFORMATION (cont'd)

Geographical segments

The Group's property investment business is carried out in Hong Kong and elsewhere in the People's Republic of China (the "PRC") while the manufacturing and trading business is carried out in the PRC. In respect of geographical segment reporting, turnover is allocated based on the country in which the customers are located. Total assets and capital expenditure are allocated based on where the assets are located.

The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods and the services:

	Turnover by geographical market	
	2005	2004
	HK$'000	HK$'000
PRC, excluding Hong Kong	**1,353**	3,356
Hong Kong	**3,600**	3,089
	4,953	6,445

The following is an analysis of the carrying amount of segment assets and capital expenditure, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		**Capital expenditure**	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
PRC, excluding Hong Kong	**79,848**	74,306	**8**	3
Hong Kong	**109,077**	79,235	**–**	10
	188,925	153,541	**8**	13

6. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after:

	2005	2004
	HK$'000	HK$'000
Crediting		
Rental income from investment properties and properties held for sale under operating leases, net of outgoings of approximately HK$91,000 (2004: HK$101,000)	**3,509**	2,988
Loss on disposal of property, plant and equipment	**–**	8
Charging		
Staff costs, including directors' remuneration:		
– Basic salaries and allowances	**1,616**	2,246
– Retirement benefits scheme contributions	**91**	119
	1,707	2,365
Auditors' remuneration	**320**	550
Cost of inventories recognised as an expenses	**766**	1,835
Depreciation and amortisation of property, plant and equipment	**310**	577
Operating lease rentals in respect of land and buildings	**827**	623

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(i) Directors' emoluments

	2005	2004
	HK$'000	HK$'000
Directors' fees		
Executive directors	**268**	230
Independent non-executive directors	**47**	18
Other emoluments of executive directors		
Salaries and other allowances	**26**	173
Contributions to retirement benefits schemes	**11**	11
	352	432

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (cont'd)

(i) Directors' emoluments (cont'd)

	2005 HK$'000	2004 HK$'000
The emoluments of the directors were as follows:		
Mr. Tsang Kar Tong	**225**	190
Mr. Lu Liang	**25**	100
Mr. Lo Lap Ho	**–**	65
Mr. Ho Yuk Ming, Hugo	**–**	42
Mr. Cheng Kwong Choi, Alexander	**36**	18
Mr. Tao Wei Ming	**–**	17
Mr. Ho Chi Wing	**17**	–
Mr. Law Tai Yan	**8**	–
Mr. Ng Yan	**35**	–
Mr. Cheng Sheung Hing	**–**	–
Ms. Lyn Yee Chen, Jean	**3**	–
Mr. Mui Chok Wah	**3**	–
	352	432

(ii) Employees' emoluments

Of the five highest paid individuals in the Group, one (2004: one) of them was a director of the Company whose remunerations are set out in (i) above. The emoluments of the remaining four (2004: four) individuals were as follows:

	2005 HK$'000	2004 HK$'000
Salaries and other allowances	**736**	656
Contributions to retirement benefits schemes	**35**	31
	771	687

The remunerations of each of the employees were not exceeding HK$1,000,000 in both years.

During the year ended 30 June 2005 and 2004, no emoluments were paid by the Group to the respective five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, during the years ended 30 June 2005 and 2004, no director had waived any emoluments.

8. FINANCE COSTS

	2005	2004
	HK$'000	HK$'000
Interest on:		
– Bank borrowings wholly repayable within five years	**52**	1,802
– Bank borrowings not wholly repayable within five years	**1,177**	101
– Other borrowings wholly repayable within five years	**7,783**	6,761
– Obligations under finance leases	**8**	15
Loan arrangement fees	**–**	662
	9,020	9,341

9. TAXATION

No provision for Hong Kong profits tax has been made in the financial statements as the companies comprising the Group did not have any assessable profit for both years.

The income tax for the year can be reconciled to the profit/(loss) before taxation per consolidated income statement as follows:

	2005	2004
	HK$'000	HK$'000
Profit/(loss) before taxation	**11,533**	(5,213)
Tax at Hong Kong profits tax rate of 17.5%	**2,018**	(912)
Tax effect of expenses not deductible for tax purpose	**3,146**	2,121
Tax effect of income not taxable for tax purpose	**(5,784)**	(1,454)
Tax effect of additional tax losses not recognised	**1,002**	1,579
Tax effect of deferred tax assets previously not recognised	**(337)**	(986)
Utilisation of taxes losses previously not recognised	**–**	(42)
Effect of different tax rate of the subsidiary operating in other jurisdiction	**(45)**	(306)
Income tax for the year	**–**	–

Details of potential deferred taxation not provided for the year are set out in note 28.

10. DIVIDEND

The Company resolved not to declare any dividend in respect of the year ended 30 June 2005 (2004: Nil).

11. EARNING/(LOSS) PER SHARE

The calculation of the basic earning (2004: loss) per share is based on the profit (2004: loss) attributable to shareholders of approximately HK$11,533,000 (2004: loss of HK$5,213,000) and 2,867,500,000 shares in issue throughout both years.

No diluted loss per share has been presented because the trading of the Company's shares on the Stock Exchange has been suspended since 30 June 2003 and there is no market price of the Company's shares during the year ended 30 June 2005 and the directors considered there is no appropriate basis to ascertain the fair value of the Company's shares.

12. INVESTMENT PROPERTIES

	The Group	
	2005	2004
	HK$'000	HK$'000
Valuation		
At 1 July	**78,000**	62,000
Revaluation increase	**30,000**	16,000
At 30 June	**108,000**	78,000

The investment properties are held by the Group under medium-term lease in Hong Kong for rental income under operating leases.

At 30 June 2005, the investment properties of the Group were revalued by Dudley Surveyors Limited, an independent firm of professional valuers, on an open market value basis. The revaluation increase of these properties has been credited to the consolidated income statement and investment properties revaluation reserve.

The Group's investment properties have been pledged to a bank and certain third parties to secure borrowings granted to the Group.

13. PROPERTY, PLANT AND EQUIPMENT

The Group

	Medium term leasehold land and buildings in the PRC HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Computer equipment HK$'000	Total HK$'000
Cost						
At 1 July 2004	1,875	538	853	1,035	249	4,550
Additions	–	–	8	–	–	8
Disposals	–	–	(1)	–	(16)	(17)
At 30 June 2005	**1,875**	**538**	**860**	**1,035**	**233**	**4,541**
Depreciation, amortisation and accumulated impairment loss						
At 1 July 2004	1,368	404	622	1,020	171	3,585
Provided for the year	94	71	102	10	33	310
Eliminated on disposals	–	–	(1)	–	(16)	(17)
At 30 June 2005	**1,462**	**475**	**723**	**1,030**	**188**	**3,878**
Carrying amounts						
At 30 June 2005	**413**	**63**	**137**	**5**	**45**	**663**
At 30 June 2004	507	134	231	15	78	965

At 30 June 2005, the net book value of office equipment (2004: motor vehicles and office equipment) of the Group includes an amount of approximately HK$31,000 (2004: HK$61,000) in respect of assets held under finance leases.

14. DEPOSIT PAID FOR THE PURCHASE OF INVESTMENT PROPERTIES

The amount represents deposit paid for the purchase of certain investment properties situated in the PRC.

An impairment loss was recognised in prior years in respect of the deposit paid for the purchase of investment properties as the relevant vendor, 中房集團華東置業股份有限公司 China Real Estate Development Group Huadong Properties Company Limited ("CRED Huadong"), a jointly-controlled entity of the Group, had pledged the relevant properties for certain credit facilities granted to CRED Huadong. Up to the date of these financial statements, the Group has not yet been able to obtain legal title to these properties notwithstanding the full payment of the consideration. The recoverable amount of the deposit is therefore estimated to be negligible.

15. INTERESTS IN SUBSIDIARIES

	The Company	
	2005	2004
	HK$'000	HK$'000
Unlisted shares, at cost	**175**	175
Amount due from subsidiaries	**488,010**	478,776
	488,185	478,951
Less: Waiver of advance to subsidiary	**(15,388)**	–
Impairment loss recognised	**(414,271)**	(433,113)
	(429,659)	(433,113)
	58,526	45,838

The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed repayment terms. The amounts will not be repayable within twelve months of the balance sheet date and are therefore shown as non-current assets.

During the year, the Group disposed of a subsidiary, Huadong Share Investments Limited ("Huadong Share") (Notes 17 and 27) and the advance to Huadong Share of HK$15,388,000 was waived upon the disposal.

At the balance sheet date, the directors of the Company have reviewed the operating condition of the subsidiaries and have taken into account the value of the underlying assets and liabilities of the subsidiaries, a reversal of the impairment loss of HK$3,454,000 recognised in previous year have been made in current year.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

Details of the principal subsidiaries of the Company at 30 June 2005 are set out in note 36.

16. INTERESTS IN AN ASSOCIATE

	The Group	
	2005	2004
	HK$'000	HK$'000
Share of net assets	**–**	–

Details of the Group's associate as at 30 June 2005 are as follows:

Name	**Place of incorporation/ operation**	**Proportion of nominal value of issued capital attributable to the Group**	**Principal activity**
CRED.net Limited 中國房地產網有限公司	BVI/the PRC	20%	Inactive

The Group has no commitment to provide financial support to the associate and therefore the Group's share of post-acquisition loss of the associate that exceeded the carrying amount of the investment has not been included as share of loss of associate in the consolidated income statement.

17. INTERESTS IN A JOINTLY CONTROLLED ENTITY

	The Group	
	2005	2004
	HK$'000	HK$'000
Share of net assets	**–**	13,767
Less: Impairment loss recognised	**–**	(13,767)
	–	–

17. INTERESTS IN A JOINTLY CONTROLLED ENTITY (cont'd)

Particulars of the jointly controlled entity as at 30 June 2005 are as follows:

Name	Form of business structure	Place of registration and operation	Paid-up registered capital	Proportion of registered capital attributable to the Group		Principal activity
				Held indirectly		
				2005	2004	
CRED Huadong	Incorporated	PRC	RMB 58,400,000	–	20.28%	Property development

During the year, the Group disposed of a subsidiary, Huadong Share (Note 15), which held the ownership interest in the above jointly controlled entity, CRED Huadong.

18. INVENTORIES

	The Group	
	2005	2004
	HK$'000	HK$'000
Raw materials	**18**	87
Work in progress	**89**	100
Finished goods	**235**	113
	342	300

No inventories were stated at net realisable value at 30 June 2004 and 2005.

19. PROPERTIES HELD FOR SALE

	The Group	
	2005	2004
	HK$'000	HK$'000
Properties held for sale, at net realisable value	**78,229**	71,500

On 23 October 1997, a sale and purchase agreement was entered between Welchem Development Limited ("Welchem"), a wholly-owned subsidiary of the Company and CRED Huadong under which Welchem agreed to purchase certain properties under development (the "Properties") situated in the PRC at approximately HK$113.8 million. The purchase consideration was fully settled by Welchem prior to its acquisition by the Group. According to the agreement, the legal title to the properties will be transferred from CRED Huadong to the Group upon completion of the construction work. However, following certain disputes with CRED Huadong, the legal title to the Properties has not been transferred to the Group as at 30 June 2005.

The Group has entered into negotiations with CRED Huadong with a view to expediting the transfer of legal title of the Properties to the Group. Following such negotiations, the Group had obtained a confirmation from CRED Huadong that the Group was entitled to take two and a half floors instead of the three floors of the relevant building as stated in the original agreement. CRED Huadong had signed the application form for the transfer of legal title of the Properties to the Group and the registration is in progress.

Although the transfer of legal title has not been completed at this time, the Directors are confident that the Group will be able to obtain legal title to the Properties.

On 31 October 2001, an agreement was entered into between Welchem and an independent third party (the "Purchaser") for the disposal of the Properties for a consideration of RMB88,000,000 (equivalent to approximately HK$83,000,000). Subject to the fulfilment of certain conditions as stated in the supplemental agreement dated 30 November 2001, including the completion of due diligence exercise, the transaction was expected to be completed on or before 7 February 2002. (On 11 January 2002, an extension agreement was entered into between Welchem and the Purchaser to further extend the long stop date for the satisfaction of the conditions of the transaction to 28 February 2002). A deposit of RMB27,350,000 (equivalent to approximately HK$25,757,000) was received from the Purchaser during the year ended 30 June 2002 for the disposal of the Properties. On 2 August 2004, Welchem and the Purchaser signed a letter of intent to further extend the completion date to 31 March 2005. Subsequent to the balance date, on 16 August 2005, Welchem and the Purchaser signed a supplementary agreement and agreed that the deposit of RMB27,500,000 (equivalent to approximately HK$25,757,000) paid by the Purchaser was treated as the consideration for the whole of the 20th floor and approximately 5% of the 4th floor of the relevant Properties.

20. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 days to 90 days to its trade customers. The credit period granted depends on a number of factors including trade policies, collection history and location of customers. For rental income, payment in advance is normally required.

Included in trade and other receivables are trade receivables of HK$287,000 (2004: HK$1,341,000) and an aged analysis is as follows:

	The Group	
	2005	2004
	HK$'000	HK$'000
0 – 60 days	**181**	288
61 – 90 days	**106**	85
Over 90 days	**2,444**	5,131
	2,731	5,504
Less: Allowance for bad and doubtful debts	**(2,444)**	(4,163)
	287	1,341

21. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK$417,000 (2004: HK$917,000) and an aged analysis is as follows:

	The Group	
	2005	2004
	HK$'000	HK$'000
0 – 60 days	**28**	71
61 – 90 days	**10**	47
Over 90 days	**379**	799
	417	917

Included in other payables is an amount of HK$2,604,000 (2004: HK$1,140,000) secured by the Group's investment properties.

According to the confirmation dated 30 June 2005 from the lender, the due date for the repayment of loan interest is on or after 1 January 2007. Therefore, the interest payable of HK$11,467,000 as at 30 June 2005 is classified under non-current liabilities.

22. OBLIGATIONS UNDER FINANCE LEASES

	The Group			
	Minimum lease payments		Present value of minimum lease payments	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
The maturity of obligations under finance leases is as follows:				
Within one year	**22**	36	**21**	32
In the second to fifth year inclusive	**8**	31	**7**	28
	30	67		
Less: Future finance charges	**(2)**	(7)		
Present value of lease obligations	**28**	60	**28**	60
Less: Amount due for settlement within one year and shown under current liabilities			**(21)**	(32)
Amount due after one year			**7**	28

It is the Group's policy to lease certain of its motor vehicles and equipment under finance leases. The average lease term is 2-3 years. All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payments. All lease obligations are denominated in Hong Kong dollars.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

23. BANK AND OTHER BORROWINGS

	The Group		The Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank and other borrowings comprise:				
Bank loans	**26,966**	30,416	**–**	–
Other loans	**58,458**	49,716	**19,915**	12,423
	85,424	80,132	**19,915**	12,423
Represented by:				
Secured	**54,459**	50,016	**17,492**	10,000
Unsecured	**30,965**	30,116	**2,423**	2,423
	85,424	80,132	**19,915**	12,423
Bank and other borrowings are repayable as follows:				
Within one year or on demand	**18,973**	48,596	**10,922**	12,423
More than one year but not exceeding two years	**44,293**	2,566	**8,993**	–
More than two years but not exceeding five years	**8,552**	12,938	**–**	–
More than five years	**13,606**	16,032	**–**	–
Total	**85,424**	80,132	**19,915**	12,423
Less: Amount repayable within one year and shown under current liabilities	**(18,973)**	(48,596)	**(10,922)**	(12,423)
Amount due after one year	**66,451**	31,536	**8,993**	–

Other than an amount of approximately HK$2,886,000 (2004: HK$2,886,000) which is interest free, the above borrowings bear interest at prevailing market rates.

24. SHARE CAPITAL

	Number of ordinary shares	Amount HK$'000
Ordinary share of HK$0.2 each		
Authorised:		
At 1 July 2003, 30 June 2004 and 2005	4,000,000,000	800,000
Issued and fully paid:		
At 30 June 2004 and 30 June 2005	2,867,500,000	573,500

25. SHARE OPTION SCHEME

Share option scheme adopted in 1999

Pursuant to the share option scheme (the "1999 Scheme") adopted by the Company on 19 July 1999, the board of directors of the Company may grant options to any Directors, officers or employees of the Company or of any of its subsidiaries (the "Participants") to subscribe for shares in the Company at any price which is not less than the nominal value of the shares nor 80% of the average closing price of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of the grant of the options. The maximum number of shares in respect of which options may be granted under the 1999 Scheme shall not exceed 10% of the issued share capital of the Company from time to time.

Share option scheme adopted in 2002

On 25 July 2002, the share option scheme adopted by the Company on 19 July 1999 was terminated and replaced by a new share option scheme (the "2002 Scheme") pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company held on the same day. In accordance with the 2002 Scheme, the board of directors of the Company may grant options to any employees, directors, shareholders, suppliers, customers of the Group and any other person or company who has contributed or may contribute to the development and growth of the Group to subscribe for shares in the Company at any price which is at least the highest of (i) the closing price of the shares of the Company on the date of the grant of the options; (ii) the average closing price of the shares of the company on the Stock Exchange for the five trading days immediately preceding the date of the grant of the options; and (iii) the nominal value of the shares of the Company. The maximum number of shares in respect of which options may be granted under the 2002 Scheme shall not exceed 10% of the shares in issue as at the adoption date of the 2002 Scheme or the date of approval by the shareholders in general meeting where the limit is refreshed. The total number of shares issued and to be issued upon exercise of the options granted to each eligible person under the 2002 Scheme in any twelve months period must not exceed 1% of the shares in issue at the date of such grant unless approved by the shareholders in general meeting.

No option has been granted since the adoption of the 2002 Scheme.

25. SHARE OPTION SCHEME (cont'd)

Share option scheme adopted in 2002 (cont'd)

The following table discloses details of the Company's share options held by the Participants under the 1999 Scheme and movements in such holdings during the year.

Under the 1999 Scheme

		Number of options			
Exercise price HK$	**Month of grant**	**Outstanding as at 1 July 2003**	**Surrendered by option holders during the year ended 30 June 2004**	**Outstanding as at 30 June 2004**	**Outstanding as at 30 June 2005**
0.200	June 2001	150,000	(150,000)	–	–
0.200	July 2001	100,000	–	100,000	100,000
0.202	May 2002	25,835,000	–	25,835,000	25,835,000
		26,085,000	(150,000)	25,935,000	25,935,000

Details of the share options held by Directors under the 1999 Scheme included in the above table are as follows:

Exercise price HK$	**Month of grant**	**Outstanding as at 30 June 2004 and 2005**
0.202	May 2002	25,835,000

Details of the specific categories of options under the 1999 Scheme are as follows:

Exercise price HK$	**Month of grant**	**Exercise period**
0.200	July 2001	11/07/2001 to 10/07/2011
0.202	May 2002	24/05/2002 to 23/05/2012

26. RESERVES – THE COMPANY

	Share premium HK$'000	Other reserve HK$'000	Retained Profit/ Accumulated losses HK$'000	Total HK$'000
At 30 June 2003	103,257	(51,688)	(630,348)	(578,779)
Net profit for the year	–	–	24,600	24,600
At 30 June 2004 and 1 July 2004	103,257	(51,688)	(605,748)	(554,179)
Net loss for the year	–	–	(7,248)	(7,248)
At 30 June 2005	**103,257**	**(51,688)**	**(612,996)**	**(561,427)**

The Company had no distributable reserves at the balance sheet date.

27. DISPOSAL OF A SUBSIDIARY

	2005 HK$'000	2004 HK$'000
Net assets/(liabilities) disposed of:		
Net assets/(liabilities)	–	–
Gain on disposal of a subsidiary	–	–
Consideration	–	–
Satisfied by:		
Consideration	–	–
Cash consideration received and the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	–	–

The consideration received from the disposal of the subsidiary (Notes 15 and 17) was HK$20 and did not have significant contribution to the Group's cash flows or operating results.

28. DEFERRED TAXATION

The major deferred tax liabilities/(assets) recognised and movements thereon during the current and prior years are summarised below:

The Group

	Accelerated tax depreciation	**Tax losses**	**Total**
	HK$'000	HK$'000	HK$'000
Balance at 30 June 2004	705	(705)	–
Charge/(credit) to income statement for the year	2,875	(2,875)	–
Balance at 30 June 2005	3,580	(3,580)	–

For the purposes of balance sheet presentation, deferred tax assets and liabilities have been offset in accordance with the conditions set out in SSAP 12 (Revised).

At 30 June 2005, the Group has unused tax losses of approximately HK$83,424,000 (2004: HK$97,219,000) available for offset against future profits that are subject to Hong Kong Profits Tax. Up to the date of this report, tax losses of approximately HK$47 million (2004: HK$63 million) have not been agreed by Inland Revenue Department. A deferred tax asset amounting to HK$3,580,000 (2004: HK$705,000) has been recognised in respect such losses of approximately HK$20,457,000 (2004: HK$4,028,000). No deferred tax asset has been recognised in respect of the remaining unused tax losses approximately HK$62,967,000 (2004: HK$93,191,000) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

29. CONTINGENT LIABILITIES

	The Group		**The Company**	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees given to banks and a third party in respect of facilities granted to				
– subsidiaries	**–**	–	**60,000**	60,000

30. LITIGATION

The Group had the following material claims:

(a) During the year ended 30 June 2003, forms of claim were filed against Noble City (Asia) Limited ("Noble City"), a wholly-owned subsidiary of the Company, by a resigned director and an employee through the Labour Tribunal demanding salaries in dispute in the aggregate amount of HK$718,000. The Labour Tribunal ordered Noble City to settle the claim in full. The unsettled amounts of approximately HK$516,000 not yet paid up to 30 June 2005 were fully accrued in trade and other payables at the balance sheet date.

(b) In August 2004, a Writ of Summons was served on the Company by an independent company for repayment of outstanding consultancy fees in the amount of approximately HK$2.2 million together with interest thereon. As that company has never been formally appointed as a consultant of the Company, the Directors are of the opinion that the Company has no obligation to pay the above amount to that Company. Nevertheless during the relevant period, an independent third party controlling the above company had provided certain consultancy services to the Company. The Directors are therefore in negotiation with the above independent third party with a view to resolving this matter. Because of the uncertainty of the outcome of this matter, the amount involved has been accrued and included in trade and other payables at the balance sheet date. As at 30 June 2005, the amount has not yet settled.

(c) In September 2004, a Writ of Summons was served on the Company by an individual third party demanding immediate repayment of borrowings approximately HK$1.6 million together with the interest thereon. As the Company has never borrowed money from that individual third party, the Directors are of the opinion that the Company has no obligation to pay the demanded amount. In January 2005, an Amended Writ of Summons was served on the Company by the lender of the Group ("the 2nd Plaintiff") and had clarified that the individual third party was acted as an agent of the 2nd Plaintiff. The Directors are negotiating with the lawyer of the Company to handle this matter. The loan advanced by the 2nd Plaintiff has been fully accrued in these financial statements. As at 30 June 2005, the amount has not yet settled.

(d) According to an agreement entered into by the Company, two of its subsidiaries and two independent third parties in February 2003, the Group had disposed of a subsidiary, World Giant Limited ("World Giant"), a company engaged in property investment in the PRC. In this connection, the Company has undertaken to indemnify World Giant for, among others, any increase in the liabilities of World Giant as a result of any claim for taxation arising from any transactions effected on or before the completion date of the above disposal. In October 2004, World Giant received a payment request from the PRC tax authority in respect of PRC property taxes relating to the property held by World Giant in the aggregate amount of approximately HK$8,000,000, including the late payment surcharge levied by the tax authorities, of which approximately HK$5,800,000 was in respect of transactions on or before the completion date. The existing management of World Giant has indicated to the Directors that the amount in respect of transactions on or before the completion date should be paid by the Company. In January 2005, World Giant lodged a claim against the subsidiary of the Company demanding the payment of approximately HK$5,800,000. However, such amounts are fully covered by the amount accrued in the accounts of World Giant at the time of disposal. Accordingly, in the opinion of the Directors and having obtained an opinion from the Company's lawyer, the Group or the Company has no obligation to pay the above taxes. Because of the uncertainty of the outcome of this matter, the amount involved has been accrued and included in trade and other payables as at 30 June 2005.

The Directors consider the outcome of the claims referred above will not have a material adverse effect on the financial position of the Group.

31. PLEDGE OF ASSET

At the balance sheet date, certain assets of the Group with the following carrying values were pledged to banks and certain other third parties in order to secure credit facilities granted to the Group:

	The Group	
	2005	2004
	HK$'000	HK$'000
Investment properties	**108,000**	78,000
Leasehold land and buildings	**–**	507
	108,000	78,507

In addition to the above, the Group had signed the assignment of rental to the bank as a security of the borrowings of the Group in 2004 and 2005.

32. CAPITAL COMMITMENTS

The Group and the Company had no capital commitment at the balance sheet date.

33. OPERATING LEASES

(a) Operating lease commitments

At the balance sheet date, the Group and the Company had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	The Group		The Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**469**	538	**324**	414
In the second to fifth years inclusive	**167**	345	**–**	345
	636	883	**324**	759

Operating lease payments represent rental payable by the Group for certain of its office properties, warehouse and staff quarter. Rentals are fixed and no arrangement has been entered into for contingent rental payments.

33. OPERATING LEASES (cont'd)

(b) Operating lease arrangements

At 30 June 2004, the Company and the Group had no operating lease arrangement.

At 30 June 2005, the Group had minimum lease receipts of approximately HK$2,700,000, which represented rentals receivable by the Group for their investment properties under cancellable operating leases with four months notice which fall due within one year.

34. RETIREMENT BENEFIT SCHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes at the lower of HK$1,000 or 5% of relevant payroll costs, for each of the employees every month, to the MPF Scheme, which contribution is matched by employees.

The employees of the Group's subsidiary in the PRC are members of a state-managed retirement benefit scheme operated by the local government. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total costs charged to income statement of approximately HK$91,000 (2004: HK$119,000) represents contributions payable to the above schemes by the Group in respect of the current accounting period.

35. RELATED PARTY DISCLOSURES

Other related party disclosures

Details of share options granted to directors of the Company are set out in note 25.

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company at 30 June 2005 are as follows:

Name of subsidiary	Place of incorporation or establishment/ operations	Nominal value of issued/ registered paid up share capital	Proportion of nominal value of issued/contributed capital held by the Company		Principal activities
			Direct	Indirect	
First Union Limited 壹聯有限公司	Hong Kong	HK$2	100%	–	Property investment
Noble City (Asia) Limited 港匯（亞洲）有限公司	Hong Kong	HK$2	100%	–	Investment holding
Welchem Development Limited 華緯發展有限公司	Hong Kong/PRC	HK$2	–	100%	Property investment
World Joy Limited 華緻有限公司	Hong Kong/PRC	HK$2	–	100%	Property investment
珠海再創通信技術有限公司 *(Note)*	PRC	RMB4,000,000	–	55%	Production and sales of equipment and accessories for broadband cable television
Konwide Development Limited 廣偉發展有限公司	Hong Kong	HK$2	100%	–	Inactive

Note: The Company is registered in the form of sino-foreign joint venture.

The above table includes the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in excessive length.

37. SUBSEQUENT EVENTS

(a) Details of other significant events occurred subsequent to the balance sheet date are disclosed in note 19.

(b) On 7 September 2005 and 4 October 2005, First Union Limited ("First Union") and Transmart Investment Limited ("Transmart") signed a provisional agreement and a formal agreement for sale and purchase in relation to the investments properties of First Union for a consideration of HK$104,000,000. The sale and purchase transaction is subject to the terms as follows:

(i) Written confirmation sent by First Union's solicitor to Transmart's solicitor that the purchase price is sufficient to discharge all existing mortgage/charge and other incumbrances or liabilities of First Union secured against the investment properties; and

(ii) Written evidence of the approval of the shareholders of the Company at an extraordinary general meeting to approve this transaction on or before 7 December 2005.