

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2005

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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. On 11 August 2004, 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. A resumption proposal was submitted by an independent financial adviser of the Group to the Stock Exchange on 27 January 2005 but which was considered not a valid resumption proposal by the Listing Committee and decided to cancel the listing of the shares of the Company on the Exchange. A review hearing was held on 26 October 2005 to review the decision made by the Listing Committee but the result did not change the status. The Group has made an application to appeal against the decision. An Appeal Submission was sent to the Stock Exchange on 3 April 2006.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost basis, except for certain properties, which are measured at fair values or revalued amounts, as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2005 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRS(s)"), Hong Kong Accounting Standards ("HKAS(s)") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has also resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

2. PRINCIPAL ACCOUNTING POLICIES (continued)

HKAS 40: "Investment property"

The adoption of HKAS 40 has resulted in a change in accounting policy for the Group's investment properties. In prior years, increases in the valuation of investment property were credited to the investment property revaluation reserve while decreases in the valuation of investment property were firstly set off against the surplus of the investment property revaluation reserve and thereafter charged to the profit and loss account. Following the adoption of HKAS 40, all changes in valuation of the investment property are to be recognised in the profit and loss account.

The Group has taken advantage of the transitional provisions of HKAS 40 to adjust the effect of adopting the standard to the opening balance of retained earnings rather than restating the comparative amounts to reflect the changes retrospectively for the earlier period presented in the condensed consolidated financial statements.

The adoption of revised HKAS 40 resulted in:

Consolidated Balance Sheet

	31.12.2005 (unaudited) HK\$'000	30.6.2005 (audited) HK\$'000
Decrease in accumulated losses	3,675	—
Decrease in investment revaluation reserve	(3,675)	—

HKFRS 2: Share-Based Payment ("HKFRS 2")

In the Current Period, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Group, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 July 2005. In relation to share options granted before 1 July 2005, the Group chooses not to apply HKFRS 2 with respect to share options granted on or before July 2001 and share options that were granted after July 2001 and had no outstanding at 1 July 2005 in accordance with the relevant transitional provisions. As all the share options had vested before 1 April 2005, the adoption of HKFRS 2 has had no material effect on the results for the current or prior periods. Accordingly, no prior period adjustment has been required.

3. POTENTIAL IMPACT ARISING ON THE NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the application of these HKFRSs will have no material impact on the financial statements of the Group:

HKAS 1 (Amendment)	Capital Disclosures
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plan and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendments)	Financial Guarantee Contracts
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HKFRS – INT 4	Determining whether an Arrangement Contains a Lease
HKFRS – INT 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK (IFRIC) – INT 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

4. 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 cable television.

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 during the period. Segment information about the business is presented below:

Six months ended 31 December 2005

	Property Investment HK\$'000	Manufacturing and trading HK\$'000	Consolidated HK\$'000
Turnover	<u>1,800</u>	<u>2,136</u>	<u>3,936</u>
RESULTS			
Segment results	<u>1,726</u>	<u>2,315</u>	<u>4,041</u>
Unallocated corporate income			15,609
Unallocated corporate expenses			(32,562)
LOSS FROM OPERATIONS			<u>(12,912)</u>

4. SEGMENT INFORMATION (continued)
Six months ended 31 December 2004

	Property Investment HK\$'000	Manufacturing and trading HK\$'000	Consolidated HK\$'000
Turnover	<u>1,800</u>	<u>720</u>	<u>2,520</u>
RESULTS			
Segment results	<u>1,734</u>	<u>(86)</u>	1,648
Unallocated corporate income			34
Unallocated corporate expenses			<u>(3,049)</u>
LOSS FROM OPERATIONS			<u>(1,367)</u>

Geographical segment

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

	For the six months ended 31 December	
	2005 HK\$'000	2004 HK\$'000
PRC, excluding Hong Kong	2,136	720
Hong Kong	1,800	1,800
	<u>3,936</u>	<u>2,520</u>

5. LOSS FROM OPERATIONS

	For the six months ended 31 December	
	2005 HK\$'000	2004 HK\$'000
Loss from operations has been arrived at after charging:		
Allowance for bad and doubtful debts and obsolete stocks	49	274
Staff costs, including directors' remuneration	1,000	580
Depreciation and amortisation of property, plant and Equipment	58	180

6. 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 the current and the past periods.

The Group had no significant unprovided deferred taxation for the period or at the balance sheet date.

7. INTERIM DIVIDEND

The Board of Directors does not recommend to declare any interim dividend for the six months ended 31 December 2005 (2004: Nil)

8. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the period of approximately HK\$18,416,386(2004:HK\$5,808,000) and on the weighted average number of 2,867,500,000 (2004: 2,867,500,000) shares in issue throughout the period.

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 six months ended 31 December 2005 and 31 December 2004 and the Directors considered there is no appropriate basis to ascertain the fair value of the Company's shares.

9. INVESTMENT PROPERTIES

	THE GROUP	
	31.12.2005	30.6.2005
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Valuation		
In Hong Kong		
Balance at beginning of the period	108,000	78,000
Add: Increased in value recognised	-	30,000
	<hr/>	<hr/>
Balance at ended of the period	<u>108,000</u>	<u>108,000</u>

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

10. PROPERTIES HELD FOR SALE

	THE GROUP	
	31.12.2005 (unaudited) HK\$'000	30.6.2005 (audited) HK\$'000
Properties held for sale, at net realisable value in PRC	<u>19,722</u>	<u>78,229</u>

After lengthy negotiation and strenuous efforts to recover the titles of the Property held for Sale, the Group reached settlement with CRED Huadong and the "Purchaser" collectively in December 2005. The Group suffered some loss on the settlement but management considered that the settlement was made in the best interest of the Group, having regard to the Group's listing status having been suspended by the Stock Exchange since June 2003 and the uncertainty of the outcome of this dispute have caused auditors' qualification and going concern uncertainty of the Group. Such loss has been reflected in the Profit and Loss account of the Group for the six months ended December 31, 2005 as loss on settlement and disposal of the Property held for Sale. The settlement also fully extinguished the Groups' liability forwards the "Purchaser" of HK\$25,757,000.

11. TRADE RECEIVABLES

The Group allows an average credit period of 30 days to 90 days to its trade customers. For rental income, payment in advance is normally required.

The aged analysis of trade receivable is stated as follows:

	31.12.2005 (unaudited) HK\$'000	30.6.2005 (audited) K\$'000
0 to 60 days	940	181
61 to 90 days	328	106
Over 90 days	<u>1,595</u>	<u>2,444</u>
	2,863	2,731
Less: Allowance for bad and doubtful debts	<u>(1,019)</u>	<u>(2,444)</u>
	<u>1,844</u>	<u>287</u>

12. DEPOSIT RECEIVED IN RESPECT OF A PROVISIONAL CONVERTIBLE NOTE AGREEMENT

A provisional agreement has been entered into between the Company and an independent third party (the "Potential Investor") under which that party has agreed to subscribe for a convertible note in the principal amount of HK\$30 million to be issued by the Company. The convertible note gives the holder thereof the right to convert the principal amount into approximately 75% of the issued share capital of the Company following a proposed capital reduction exercise of the Company. On 26 August 2004, the Potential Investor paid a refundable deposit of HK\$2.5 million to the Company in connection with the above proposed subscription. Another HK\$2.5 million deposit will be paid upon signing of the formal agreement. The above agreement is conditional upon, among other things, the relevant approvals being obtained from the High Court of Hong Kong, the relevant Hong Kong regulatory authorities and the Company's shareholders.

Subsequent to the balance sheet date, a proposal (the "Resumption Proposal") was submitted by an independent financial adviser of the Group to the Stock Exchange on 27 January 2005 for the resumption of trading in the Company's shares. According to the Resumption Proposal, the Potential Investor would subscribe up to HK\$45 million for share capital of the Company, and upon the resumption of trading of shares the Potential Investor would hold about 50.3 per cent of the then issued share capital after capital reorganization of the Company.

Since November 2004, the Potential Investor mentioned above has provided approximately HK\$2,468,000 interest-free advances to the Group up to the balance sheet date for working capital purposes.

13. TRADE PAYABLES

The aged analysis of trade payables is as follows:

	31.12.2005 (unaudited) HK\$'000	30.6.2005 (audited) HK\$'000
0 to 60 days	71	28
61 to 90 days	-	10
Over 90 days	296	379
	367	417

14. BANK AND OTHER BORROWING

During the period, the Group obtained new bank and other loans in the amount of approximately HK\$2 million for operating costs and repaid approximately HK\$2.9 million in respect of a mortgaged property. The new loans bear interest at prevailing market rates and are repayable within one and three years respectively.

15. LITIGATION

The Group currently do not have any material pending litigation.

16. PLEDGE OF ASSETS

At the balance sheet date, certain assets of the Group with the following net book values have been pledged to secure borrowings granted to the Group:

	31.12.2005 (unaudited) HK\$'000	30.6.2005 (audited) HK\$'000
Investment properties	<u>108,000</u>	<u>108,000</u>

17. SHARE CAPITAL

	Number of ordinary shares '000	Amount HK\$'000
Authorised:		
At 1 July 2004, 31 December 2004, 30 June 2005, 31 December 2005	<u>4,000,000</u>	<u>800,000</u>
Issued and fully paid:		
At 1 July 2004, 31 December 2004, 30 June 2005, and 31 December 2005	<u>2,867,500</u>	<u>573,500</u>

18. 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) of 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.

18. SHARE OPTION SCHEME (continued)

Share option scheme adopted in 2002 (continued)

Details of the movements of the options under the 1999 Scheme during the period under review and the outstanding options at 31 December 2005 are as follows:

Exercise Price HK\$	Month of grant	Number of options					
		Outstanding as at 1 July 2003	Granted during the year ended 30 June 2004	Surrendered by Option holders during the year ended 30 June 2004	Outstanding as at 30 June 2004	Surrendered by Option holders during the year ended 30 June 2005	Outstanding as at 30 June 2005 and 31 December 2005
0.200	July 2001	100,000	-	-	100,000	-	100,000
0.202	May 2002	25,835,000	-	-	25,835,000	-	25,835,000
		<u>25,935,000</u>	<u>-</u>	<u>-</u>	<u>25,935,000</u>	<u>-</u>	<u>25,935,000</u>

There was no exercise, nor surrender of share options during the period under review.

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 2005 and 31 December 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

19. POST BALANCE SHEET EVENTS

No significant event was occurred subsequent to the balance sheet date.