

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31st December, 2000

1. Basis of preparation

These interim financial statement are unaudited, but have been reviewed by Deloitte Touche Tohmatsu (“DTT”), an independent firm of certified public accountants, in accordance with Statement of Auditing Standards 700 “Engagements to review interim financial reports”, issued by the Hong Kong Society of Accountants (the “HKSA”). This report should be read in conjunction with DTT’s independent review report to the board of directors which is included in page 16.

The interim financial statements have been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), including compliance with Statement of Standard Accounting Practice 25 “Interim financial reporting” issued by the HKSA except that comparative figures for the condensed consolidated cash flow statement have not been prepared as the Company has taken advantage of the transitional provisions set out in the Main Board Listing Rules.

The accounting policies adopted in preparing this interim financial report are consistent with those adopted in preparing the Company’s 1999/2000 annual accounts.

2. Segment information

	Turnover		Contribution to loss from operations	
	Six months ended 31st December,		Six months ended 31st December,	
	2000	1999	2000	1999
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
By principal activities:				
Distribution of electrical consumer products, computer related products and electronic components	56,361	56,769	806	(1,845)
Provision of entertainment services	50	–	(56)	–
Advertising	3,770	–	2,678	–
	<u>60,181</u>	<u>56,769</u>	<u>3,428</u>	<u>(1,845)</u>
Provision for impairment loss of long term investments			(25,500)	–
Loss from operations			<u>(22,072)</u>	<u>(1,845)</u>

The Group’s turnover and contribution to loss from operations are principally conducted in Hong Kong.



3. Depreciation/amortisation

During the period, depreciation of HK\$279,000 (1999: HK\$11,000) was charged in respect of the Group's fixed assets and amortisation of HK\$333,000 (1999: nil) was charged in respect of the Group's intangible assets.

4. Taxation

No provision for Hong Kong Profits Tax has been made in the financial statements since the assessable profit is wholly absorbed by tax losses brought forward.

5. Dividend

The directors do not recommend the payment of an interim dividend in respect of the six months ended 31st December, 2000 (1999: nil).

6. Loss per share

The calculation of the basis loss per share is based on the net loss for the period of HK\$18,840,000 (1999: HK\$2,602,000) and on the weighted average number of ordinary shares in issue during the period of 34,197,267,270 (1999: 14,241,353,696) shares in issue after adjusting for the effect of the Company's rights issue on 17th October, 2000.

Diluted loss per share for the period ended 31st December, 2000 has not been shown as the outstanding warrants had anti-dilutive effect on the basic loss per share for the period.

There were no warrants outstanding for the period ended 31st December, 1999, and therefore, the diluted loss per share has not been shown.

7. Fixed assets

During the period, the Group acquired fixed assets amounting to HK\$3,222,000 on acquisition of subsidiaries. In addition, the Group acquired fixed assets for the amount of HK\$1,104,000.

8. Trade and other receivables

The credit terms granted by the Group are normally range from 45 days to 120 days. An aging analysis of trade receivable included in trade and other receivables is as follows:

	At 31st December 2000	At 30th June 2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-1 month	10,360	8,770
1-3 months	13,866	7,794
Over 3 months	<u>2,180</u>	<u>-</u>
	<u>26,406</u>	<u>16,564</u>

9. Trade and other payables

The aging analysis of trade payable included in trade and other payables is as follows:

	At 31st December 2000	At 30th June 2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-1 month	8,325	8,293
1-2 months	<u>3,380</u>	<u>-</u>
	<u>11,705</u>	<u>8,293</u>



10. Share capital

	<i>Note</i>	No. of shares	Amount HK\$'000
Issued and fully paid:			
At the beginning of the period		17,058,325,682	17,058
Rights issue of shares	<i>(a)</i>	17,058,325,682	17,059
Bonus issue of shares	<i>(a)</i>	17,058,325,682	17,058
		<u>51,174,977,046</u>	<u>51,175</u>
At the end of the period		51,174,977,046	51,175

- (a) Pursuant to ordinary resolutions passed at a special general meeting held on 20th September, 2000, the Company issued 17,058,325,682 new ordinary shares of HK\$0.001 each at the price of HK\$0.013 to the then existing shareholders by way of a rights issue on the basis of one rights shares for every existing share then held, together with bonus shares on the basis of one bonus share for every rights share taken up and bonus warrants on the basis of two bonus warrants for every five rights shares taken up.

11. Reserves

Movement of reserves during the period are as follows:

	Share premium HK\$'000	Capital reserve HK\$'000	Special reser ve HK\$'000	Distributable reser ve HK\$'000	Accumulated profits HK\$'000	Exchange reser ve HK\$'000	Total HK\$'000
At 1st July, 2000	116,336	(34,621)	847	29,353	33,418	-	145,333
Premium arising on issue of shares	204,700	-	-	-	-	-	204,700
Expenses incurred in connection with the issue of shares	(5,381)	-	-	-	-	-	(5,381)
Bonus issue of shares	-	-	-	(17,058)	-	-	(17,058)
Goodwill on acquisition of subsidiaries	-	(75,436)	-	-	-	-	(75,436)
Realised on disposal of subsidiaries	-	10,000	-	-	-	-	10,000
Loss for the period	-	-	-	-	(18,840)	-	(18,840)
Exchange alignment	-	-	-	-	-	(22)	(22)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22)</u>	<u>(22)</u>
At 31st December, 2000	315,655	(100,057)	847	12,295	14,578	(22)	243,296

12. Acquisition and disposal of subsidiaries

Disposal of subsidiaries

On 25th November, 2000, the Group disposed of its entire interest in Solar Top Group Limited (“Solar Top”) for cash consideration of HK\$13.8 million, resulting in a gain of HK\$3,822,000.

The result of Solar Top Group of Companies included in the interim report up to the date of the disposal was as follows:

	For the period from 1st July, 2000 to 25th November, 2000
	<i>HK\$’000</i>
Revenue	–
Operating costs	(414)
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Loss from operation	(414)
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No comparative figures are presented as the Group acquired Solar Top in March 2000.

Acquisition of subsidiaries

On 3rd July, 2000, City Star Technology Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement for the acquisition of a 95% interest in Pastena Worldwide Inc. (“Pastena”) at a consideration of HK\$2 million.

On 7th August, 2000, the Company entered into a conditional agreement for the acquisition of a further 80% interest in Ancora Worldwide Limited (“Ancora”), an associate, at a consideration of HK\$75 million. This transaction was completed on 16th October, 2000 and the Company now holds a 100% interest in Ancora.

The above acquisitions give rise to a net cash outflow of HK\$76,708,000 and a goodwill of HK\$75,436,000 which has been debited directly to reserves.

The results of Ancora for the period up to the date of completion of the above-mentioned acquisition has been equity accounted for in the consolidated income statement. With effect from the date of completion of the above acquisitions, the results, assets and liabilities of Pastena and Ancora have been consolidated by the Group.



13. Related party transactions

During the period ended 31st December, 1999, the Group paid legal and professional fee of HK\$90,000 to Ng, Yeung & Partners, a company in which Mr. Yeung Shu Lam, Wilson, a former director of the Company, has a beneficial interest. There were no related party transaction during the period ended 31st December, 2000.

14. Contingent liabilities

On 10th November, 2000, the Company has been named as a defendant in a legal action in which a claim have been made against the Company for failure to pay, as the guarantor, an amount of approximately HK\$5,996,000 and related interest. The Board, after seeking legal advice, are of the opinion that the Company has a number of grounds in the proceedings and no provision for any potential liability is required in the interim financial statements.