

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE SIX MONTHS ENDED 31ST DECEMBER, 2000**

	<i>HK\$ '000</i>
	(unaudited)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(4,521)
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	377
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	<u>(27)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(4,171)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<u>18,038</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u><u>13,867</u></u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 31ST DECEMBER, 2000**

**1. ACCOUNTING POLICIES**

The condensed financial statements have been prepared under the historical cost convention and in accordance with Statement of Standard Accounting Practice 25 "Interim Financial Reporting" except that, in the first year of implementation of SSAP 25, as permitted by the Rules Governing the Listing of securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), no comparative figures have been presented for the condensed cash flow statement. The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 30th June, 2000.

## 2. SEGMENT INFORMATION

The Group is principally engaged in one business activity, namely the manufacture and sale of telephones.

An analysis of the Group's sales of telephones by geographical market is as follows:

	<b>For the six months ended 31st December,</b>	
	<b>2000</b>	<b>1999</b>
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Hong Kong exporters	17,670	4,426
European countries	710	2,408
Asian countries	508	1,042
South America	–	318
Other	–	22
	<u>18,888</u>	<u>8,216</u>

Contribution to loss from operations by geographical market has not been presented as the contribution to loss from operations from each market is substantially in line with the Group's overall ratio of results to turnover.

## 3. DEPRECIATION

During the period, depreciation of HK\$440,000 (1999: HK\$520,000) was charged in respect of the Group's property, plant and equipment.

## 4. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries had no assessable profit for both periods.

## 5. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the period of HK\$3,717,000 (1999: loss of HK\$2,837,000) and on the weighted average number of 643,727,663 (1999: 541,315,890) shares in issue during each of the two periods.

For each of the two periods, no diluted loss per share was presented because the exercise of outstanding share options would have an anti-dilutive effect on loss per share.

## 6. TRADE AND OTHER RECEIVABLES

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

The following is an aging analysis of trade and other receivables at the reporting date:

	<b>31.12.2000</b>	<b>30.6.2000</b>
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Trade receivables		
0-30 days	–	475
31-60 days	496	414
> 60 days	5	–
	<u>501</u>	<u>889</u>
Deposits and prepayments	78	125
	<u>579</u>	<u>1,014</u>

**7. TRADE AND OTHER PAYABLES**

The Group obtains an average credit period of 30 days from its trade creditors.

The following is an aging analysis of trade and other payables at the reporting date:

	<b>31.12.2000</b>	<b>30.6.2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables		
0-30 days	330	237
31-60 days	133	296
> 60 days	<u>3</u>	<u>427</u>
	466	960
Other payables and accrued charges	<u>633</u>	<u>1,281</u>
	<u>1,099</u>	<u>2,241</u>

**8. SHARE CAPITAL**

There were no movements in the share capital of the Company in the current interim reporting period.

**RESULTS**

Turnover of the Group for the six months ended 31st December, 2000 was HK\$18,888,000, representing an increase of 130% over the corresponding period in 1999. Loss for the period amounted to HK\$3,717,000.

**INTERIM DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the six months ended 31st December, 2000.

**BUSINESS REVIEW AND PROSPECTS**

During the period under review, the Group's performance was affected by the continuous sluggish market conditions, which led to price cutting of its products. As a result, gross profit margin decreased significantly and operating loss incurred.

The Group continued to record an operating loss for the six months period ended 31st December, 2000. Turnover for the period was HK\$18,888,000, representing an increase in sales of 130% over the corresponding period in 1999. However, the loss incurred in the period was HK\$3,717,000, which represents an increase of 31% over the previous period. The loss for that period was HK\$2,837,000.

In addition to the existing business activities, the Board is actively identifying and developing new business or investment opportunities alone or in joint ventures with others in areas of businesses complementary to the existing business of the Group.

The prospectus for the telecommunication industry are not optimistic and competition remains keen. The Group will continue to control its operating costs so as to maintain a low-cost base, which will enhance the Group's ability to survive the current difficult business environment.

**FINANCIAL RESOURCES**

The Group obtained new funds by way of a private placement to independent investors in late 1999. The proceeds from the placement were used for general working capital purposes. The Group was free of borrowings by the end of December 2000.

The Board believes that the Group's fund generated from operations can meet its funds required for business operations.

**DIRECTOR'S INTERESTS IN SHARES**

As at 31st December, 2000 none of the directors or the chief executive, or their associates, had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

**DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

A summary of the share options granted under the share option scheme of the Company is as follows:

<b>Name of director</b>	<b>Exercisable period</b>	<b>Exercise price per share</b> <i>HK\$</i>	<b>Number of share options granted in May 2000 and outstanding at 31.12.2000</b>
Mr. Lui Shun Wa, Alexander	3.11.2000 – 2.11.2002	0.5056	2,000,000

Save as aforesaid, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the directors or the chief executive 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 or the chief executive or their spouses or children under the age of 18 had any right to subscribe for securities of the Company, or had exercised any such right during the period.

**SUBSTANTIAL SHAREHOLDERS**

As at 31st December, 2000, according to the register kept by the Company under section 16(1) of the SDI Ordinance and so far as was known to the Directors and the chief executive of the Company, the following persons other than the Directors, directly or indirectly, were interested or taken or deemed to be interested in 10% or more of the nominal value of the issued share capital of the Company:

<b>Name</b>	<b>Number of Shares held</b>	<b>Approximate percentage of issued Share held</b>
Pioneer Wealth Ltd. <i>(note)</i>	218,800,000 Shares	33.99%

*Note:* The entire share capital of Pioneer Wealth Ltd. is beneficially owned by Ms. Deng Hong.

Save as disclosed herein, the Directors and the chief-executive of the Company are not aware of any person, who was, directly or indirectly, interested in 10% or more of the nominal value of the issued share capital of the Company as at 31st December, 2000.

**AUDIT COMMITTEE**

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements.

**PURCHASE, SALE AND REDEMPTION OF SHARES**

During the period for the six months ended 31st December, 2000, there was no purchase, sale or redemption of the Shares by the Company or any of its subsidiaries.

**CODE OF BEST PRACTICE**

None of the Directors is aware of any information that would reasonably indicate that the Company was not in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the period.

On behalf of the Board  
**Lui Shun Wa, Alexander**  
*Executive Director*

Hong Kong, 14th March, 2001