



## 1. GENERAL

The Company is a public limited company incorporated in Bermuda as an exempted company with limited liability and its shares and warrants are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 38.

## 2. ADOPTION OF REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, the revised Statement of Standard Accounting Practice ("SSAP") No. 14 "Leases" issued by the Hong Kong Society of Accountants.

Adoption of this SSAP has introduced some amendments to the disclosure of the Group's leases arrangements. These changes have not had any effect on the results for the current or prior periods.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30th June each year.

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 inter-company transactions and balances between group enterprises are eliminated on consolidation.



### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Goodwill

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary and is eliminated against reserves immediately on acquisition. Negative goodwill, which represents the excess of the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary over the purchase consideration is credited to reserves.

Any premium or discount arising on the acquisition of an interest in an associate, representing the excess or shortfall respectively of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets of the associate at the date of acquisition, is dealt with in the same manner as that described above for goodwill.

On disposal of an investment in a subsidiary or an associate, the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

#### Investments in 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, as reduced by any identified impairment losses.

#### Interests in associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, including participation in financial and operating policy decisions.

The consolidated income statement includes the Group's share of the post-acquisition results of the associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

#### Turnover

Turnover represents the net amounts received and receivable for goods sold to outside customers, less returns and discounts and services provided during the year.



### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Revenue recognition

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

Service income is recognised when services are provided.

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

Dividend income from investments is recognised when the Group's right to receive payment has been established.

#### Fixed assets

Fixed assets are stated at cost less depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

Depreciation is provided to write off the cost of the assets over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold improvements	20%
Plant and machinery	20%
Furniture, fixtures and equipment	20% – 33 $\frac{1}{3}$ %
Motor vehicles	25%



### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

Investments other than held-to-maturity debt securities are classified as long term investments or other investments.

Long term investments, which are securities held for an identified long term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any identified impairment losses.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

#### Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the terms of the relevant leases.

#### Foreign currencies

Transactions in currencies other than Hong Kong dollars are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of subsidiaries which are denominated in currencies other than Hong Kong dollars are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

#### Taxation

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

#### Research and development costs

Expenditure on research and development is charged to the income statement in the year in which it is incurred except where a major project is undertaken and it is reasonably anticipated that development costs will be recovered through future commercial activity. Such development costs are deferred and written off over three years.



### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Retirement benefits costs

With effect from 1st December, 2000, the Group has joined a mandatory provident fund scheme ("MPF Scheme"). The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority 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 an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules.

During the year, the total amount contributed by the Group to the MPF Scheme and charged to the income statement represent contributions payable to the fund by the Group at rates specified in the rules of the schemes.

#### Cash equivalents

Cash equivalents represent short term, highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks which are repayable within three months from the date of the advances.

### 4. SEGMENTAL INFORMATION

	Turnover		Segment results	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Business segments:				
Distribution of electrical consumer products, computer related products and electronic components	76,471	93,213	(8,072)	4,311
Provision of entertainment services	1,072	601	(899)	(397)
Advertising	3,770	-	(624)	-
	<b>81,313</b>	<b>93,814</b>	<b>(9,595)</b>	<b>3,914</b>
Provision for impairment loss of long term investments			(49,950)	-
Provision for other receivables			(36,430)	-
(Loss) profit from operations			<b>(95,975)</b>	<b>3,914</b>

The Group's turnover and results are principally conducted in Hong Kong.



## Notes to the Financial Statements

For the year ended 30th June, 2001



### 5. NET INVESTMENT INCOME

	2001 HK\$'000	2000 HK\$'000
Interest income	9,140	3,102
Gain on disposal of long term investments	2,381	9,095
Dividend income from listed securities	173	-
(Loss) gain on disposal of other investments	(4,591)	1,893
Unrealised loss on other investments	(6,407)	(56)
	696	14,034

### 6. (LOSS) PROFIT FROM OPERATIONS

	2001 HK\$'000	2000 HK\$'000
(Loss) profit from operations has been arrived at after charging:		
Directors' remuneration (note 8 (a))	2,045	1,730
Pension contributions	53	-
Other staff costs	2,452	817
Total staff costs	4,550	2,547
Amortisation of intangible assets	1,333	-
Auditors' remuneration	502	380
Depreciation	1,365	30
Loss on disposal of fixed assets	-	49
Operating lease rentals in respect of land and buildings	1,089	255

### 7. FINANCE COSTS

	2001 HK\$'000	2000 HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	-	753
Other borrowings wholly repayable within five years	26	114
	26	867



## 8. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

Particulars of the directors' and the five highest paid employees' emoluments are as follows:

### (a) Directors' emoluments

	2001 HK\$'000	2000 HK\$'000
Directors' fees:		
Executive directors	–	–
Independent non-executive directors	50	100
Other emoluments of executive directors:		
Basic salaries and allowances	1,995	1,630
	<u>2,045</u>	<u>1,730</u>

The emoluments of the directors were within the following bands:

	Number of Directors	
	2001	2000
Nil to HK\$1,000,000	7	6
HK\$1,000,001 to HK\$1,500,000	–	1

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors has waived any emoluments during the year.

### (b) Employees' emoluments

Of the five highest paid individuals in the Group, four (2000: two) are directors of the Company whose emoluments are set out in note 8 (a) above. The emoluments of the remaining one individual (2000: three) was as follows:

	2001 HK\$'000	2000 HK\$'000
Basic salaries and allowances	<u>300</u>	<u>292</u>

**9. TAXATION**

The charge represents provision for Hong Kong Profits Tax calculated at 16% of the estimated assessable profit for the year.

Details of the unrecognised deferred taxation are set out in note 32.

**10. (LOSS) PROFIT FOR THE YEAR**

Of the Group's loss for the year of HK\$74,113,000 (2000: profit of HK\$3,560,000), a loss of HK\$166,726,000 (2000: HK\$10,527,000) has been dealt with in the financial statements of the Company.

**11. (LOSS) EARNINGS PER SHARE**

The calculation of the basic and diluted (loss) earnings per share for the year is based on the following data:

	2001 HK\$	2000 HK\$
(Loss) earnings:		
(Loss) profits attributable to shareholders and (loss) earnings for the purpose of basic and diluted (loss) earnings per share	<b>(74,113,000)</b>	3,560,000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<b>532,795,343</b>	155,797,042
Effect of dilutive potential ordinary share in respect of share options	–	598,885
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	<b>532,795,343</b>	156,395,927

The weighted average number of ordinary shares used for the purposes of calculating basic earnings per share for the year ended 30th June, 2000 has been adjusted for the effect of rights issue and consolidation of shares as described in note 24.

The computation of the dilutive loss per share for the year ended 30th June, 2001 does not assume the exercise of outstanding warrants since their exercise would result in a decrease in net loss per share from continuing operations.





## 12. FIXED ASSETS

	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>THE GROUP</b>					
<b>COST</b>					
At 1st July, 2000	-	-	365	-	365
On acquisition of subsidiaries	-	-	4,000	-	4,000
Additions	369	5,187	2,891	650	9,097
<b>At 30th June, 2001</b>	<b>369</b>	<b>5,187</b>	<b>7,256</b>	<b>650</b>	<b>13,462</b>
<b>DEPRECIATION</b>					
At 1st July, 2000	-	-	30	-	30
On acquisition of subsidiaries	-	-	778	-	778
Provided for the year	28	161	1,093	83	1,365
<b>At 30th June, 2001</b>	<b>28</b>	<b>161</b>	<b>1,901</b>	<b>83</b>	<b>2,173</b>
<b>NET BOOK VALUE</b>					
<b>At 30th June, 2001</b>	<b>341</b>	<b>5,026</b>	<b>5,355</b>	<b>567</b>	<b>11,289</b>
At 30th June, 2000	-	-	335	-	335

**13. INTERESTS IN SUBSIDIARIES**

	THE COMPANY	
	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	98,514	62,189
Amounts due from subsidiaries	270,931	153,166
	369,445	215,355
Less: Provision for impairment in value	(184,226)	(89,688)
	185,219	125,667

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

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

Particulars of the Company's subsidiaries at 30th June, 2001 are set out in note 38.

**14. INTEREST IN AN ASSOCIATE**

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	-	-	-	20,000
Share of net assets of an associate	-	1,026	-	-
	-	1,026	-	20,000

At 30th June, 2000, the Company's investment represented a 20% equity interest in Ancora Worldwide Limited ("Ancora"), a company which was incorporated in the British Virgin Islands and is engaged in providing a variety of internet-enabled and wireless application protocol-enabled contents and applications. During the year, the Company acquired the remaining 80% equity interest in Ancora which became a wholly-owned subsidiary of the Company.



## 15. LONG TERM INVESTMENTS

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
At cost, less provision:				
Listed equity securities in Hong Kong	33,154	28,596	–	–
Unlisted equity securities in Hong Kong	2,650	44,500	–	500
	<b>35,804</b>	<b>73,096</b>	<b>–</b>	<b>500</b>
Market value of listed securities	30,211	17,580	–	–

## 16. INTANGIBLE ASSETS

	Development costs HK\$'000
<b>THE GROUP</b>	
<b>COST</b>	
At 1st July, 2000	–
On acquisition of subsidiaries	4,833
<b>At 30th June, 2001</b>	<b>4,833</b>
<b>AMORTISATION</b>	
At 1st July, 2000	–
Provided for the year	1,333
<b>At 30th June, 2001</b>	<b>1,333</b>
<b>NET BOOK VALUE</b>	
<b>At 30th June, 2001</b>	<b>3,500</b>
At 30th June, 2000	–

## 17. DEPOSIT MADE FOR ACQUISITION OF A LONG TERM INVESTMENT

The amount was paid by the Group in connection with the acquisition of 12.5% interest in a private limited company incorporated in Taiwan. At 30th June, 2001, the transfer of the ownership to the Group had not been completed. The transfer is expected to complete in November 2001.



### 18. TRADE AND OTHER RECEIVABLES

Included in the balance are secured receivables of HK\$36,700,000 (2000: HK\$28,430,000) and unsecured receivables of HK\$15,950,000 (2000: HK\$2,630,000). These receivables carry interest ranging from 5% per annum to 18% per annum and are repayable within one year.

The credit terms granted by the Group to its trade customers normally range from 45 days to 120 days. Included in the balance are trade balances, an aged analysis of which is as follows:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
0 – 1 month	273	8,770
1 – 3 months	586	7,794
Over 3 months	1,736	–
	<b>2,595</b>	<b>16,564</b>

### 19. OTHER INVESTMENTS

The investments are listed shares in Hong Kong and are stated at their market value at the balance sheet date.

### 20. TRADE AND OTHER PAYABLES

Included in the balance are trade payables, an aged analysis of which is as follows:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
0 – 1 month	137	8,293

### 21. AMOUNT DUE TO A RELATED COMPANY

The balance represented an amount due to a company in which a director of the Company had a beneficial interest.

The amount was unsecured, interest free and was fully repaid during the year.

### 22. AMOUNT DUE TO DIRECTORS

The balances are unsecured, interest free and are repayable on demand.



## 23. BANK LOANS

	THE GROUP AND THE COMPANY	
	2001 HK\$'000	2000 HK\$'000
The bank loans are repayable as follows:		
Within one year	–	929
More than one year, but not exceeding two years	–	1,065
More than two years, but not exceeding five years	–	290
	–	2,284
Less: Amount due within one year, and shown under current liabilities	–	(929)
Amount due after one year	–	1,355

The bank loans were related to the crystallisation of liabilities in relation to the corporate guarantee executed by the Company for a former subsidiary. These loans were fully repaid during the year.

## 24. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each at 1st July, 1999	10,000,000,000	100,000
Increase in authorised share capital	10,000,000,000	100,000
	20,000,000,000	200,000
Ordinary shares of HK\$0.001 each:		
Subdivision of existing shares of HK\$0.01 each into 10 shares of HK\$0.001 each and ordinary shares of HK\$0.001 each at 30th June, 2000	200,000,000,000	200,000
Ordinary shares of HK\$0.08 each:		
Consolidation of 80 existing shares of HK\$0.001 each into 1 share of HK\$0.08 each	2,500,000,000	200,000
Ordinary shares of HK\$0.01 each:		
Subdivision of existing shares of HK\$0.08 each into 8 shares of HK\$0.01 each and ordinary shares of HK\$0.01 each at 30th June, 2001	20,000,000,000	200,000



24. SHARE CAPITAL (continued)

	Number of ordinary shares	Amount HK\$'000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each at 1st July, 1999	211,382,500	2,114
Bonus issue of shares	1,056,912,500	10,569
Rights issue of shares	12,682,950,000	126,830
Exercise of share options	316,831,682	3,168
Placement of shares	1,200,000,000	12,000
	15,468,076,682	154,681
Ordinary shares of HK\$0.001 each:		
Reduction of nominal value of existing shares of HK\$0.01 each to HK\$0.001 each by the cancellation of HK\$0.009 on each paid up share	15,468,076,682	15,468
Placement of shares	1,590,249,000	1,590
Ordinary shares of HK\$0.001 each at 30th June, 2000	17,058,325,682	17,058
Rights issue of shares	17,058,325,682	17,059
Bonus issue of shares	17,058,325,682	17,058
	51,174,977,046	51,175
Ordinary shares of HK\$0.08 each:		
Consolidation of 80 existing shares of HK\$0.001 each into 1 share of HK\$0.08 each	639,687,213	51,175
Ordinary shares of HK\$0.01 each:		
Reduction of nominal value of existing shares of HK\$0.08 each to HK\$0.01 each by the cancellation of HK\$0.07 on each paid up share	639,687,213	6,397
Exercise of warrants	400,000	4
Ordinary shares of HK\$0.01 each at 30th June, 2001	640,087,213	6,401



## 24. SHARE CAPITAL (continued)

During the year, the following changes in the share capital of the Company took place:

- (i) 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 in the Company at HK\$0.013 per share to the then existing shareholders by way of a rights issue in the proportion of one rights shares for every existing share then held together with bonus shares in the proportion of one bonus share for every rights share and bonus warrants in the proportion of two bonus warrants for every five rights shares, for no additional payment. The net proceeds of the rights issue of approximately HK\$215,000,000 were used for the expansion of the Group's telecom business, acquisition of a company which operates a wireless application protocol in the People's Republic of China (the "PRC"), and as additional working capital for the Group.
- (ii) Pursuant to special and ordinary resolutions passed at a special general meeting held on 22nd March, 2001:
  - every 80 issued and unissued shares of HK\$0.001 each were consolidated into one share of HK\$0.08 each; and
  - the nominal value of existing shares was reduced from HK\$0.08 each to HK\$0.01 each by cancelling HK\$0.07 on each paid up share. The credit arising as a result of the capital reduction of approximately HK\$44,778,000 was applied to eliminate accumulated losses of the Company as at 30th June, 2000 of HK\$17,686,000 (note 27).
- (iii) During the year, a warrant holder exercised his rights to subscribe for a total of 400,000 new ordinary shares of HK\$0.01 each in the Company for a total consideration of approximately HK\$28,000.

**25. WARRANTS**

	Number of ordinary shares	Subscription rights HK\$'000
Warrants at an initial subscription price of HK\$0.007 each:		
Balance in issue at 1st July, 2000	–	–
Issue of warrants pursuant to a rights issue of shares	6,823,330,273	47,763
	6,823,330,273	47,763
Warrants at a subscription price of HK\$0.56 each, adjusted after completion for the effect of consolidation of shares		
Exercised during the year	85,291,628 (400,000)	47,763 (28)
Warrants at a subscription price of HK\$0.56 each at 30th June, 2001	84,891,628	47,735

Pursuant to the rights issue of shares of the Company as described in note 24(i), the Company issued warrants which confer rights to the holders thereof to subscribe up to HK\$47,763,312 in cash for ordinary shares of HK\$0.001 each in the Company at any time up to 16th October, 2001 at an initial subscription price of HK\$0.007 per share, subject to adjustment. The subscription price was adjusted to HK\$0.56 per share as a result of the consolidation of shares in the Company (note 24(ii)).

**26. SHARE OPTION SCHEME**

Pursuant to the Share Option Scheme (the "Scheme") adopted by the Company on 16th December, 1997, the board of directors of the Company may, at their discretion, grant options to directors or employees of the Company or any of its subsidiaries to subscribe for shares in the Company in accordance with the Scheme.

The subscription price of the options shall be a price to be determined by the directors of the Company being not less than the nominal value of the ordinary shares nor 80% of the average closing price of the ordinary shares of the Company for the five trading days immediately preceding the date of the offer of the options.

The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 10% of the issued share capital of the Company from time to time.

No option was granted or exercised during the year.

At the balance sheet date, no option was outstanding under the Scheme.





## 27. RESERVES

	Share premium HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Special reserve HK\$'000	Distributable reserve HK\$'000	Exchange reserve HK\$'000	Accumulated profits (losses) HK\$'000	Total HK\$'000
<b>THE GROUP</b>								
At 1st July, 1999	65,055	353	-	847	29,353	-	(109,355)	(13,747)
Premium arising on issue of shares	68,295	-	-	-	-	-	-	68,295
Expenses incurred in connection with the issue of shares	(6,445)	-	-	-	-	-	-	(6,445)
Goodwill on acquisition of subsidiaries	-	(15,487)	-	-	-	-	-	(15,487)
Goodwill on acquisition of an associate	-	(19,487)	-	-	-	-	-	(19,487)
Bonus issue of shares	(10,569)	-	-	-	-	-	-	(10,569)
Credit arising on reduction of share capital	-	-	-	-	-	-	139,213	139,213
Profit for the year	-	-	-	-	-	-	3,560	3,560
At 30th June, 2000 and 1st July, 2000	116,336	(34,621)	-	847	29,353	-	33,418	145,333
Exchange difference arising from translation of overseas operations	-	-	-	-	-	(26)	-	(26)
Premium arising on issue of shares	204,724	-	-	-	-	-	-	204,724
Expenses incurred in connection with the issue of shares	(6,773)	-	-	-	-	-	-	(6,773)
Goodwill on acquisition of subsidiaries	-	(75,636)	-	-	-	-	-	(75,636)
Bonus issue of shares	-	-	-	-	(17,058)	-	-	(17,058)
Realised on disposal of subsidiaries	-	10,000	-	-	-	-	-	10,000
Credit arising on reduction of share capital	-	-	-	-	27,092	-	17,686	44,778
Loss for the year	-	-	-	-	-	-	(74,113)	(74,113)
At 30th June, 2001	314,287	(100,257)	-	847	39,387	(26)	(23,009)	231,229



## 27. RESERVES (continued)

	Share premium HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Special reserve HK\$'000	Distributable reserve HK\$'000	Exchange reserve HK\$'000	Accumulated profits (losses) HK\$'000	Total HK\$'000
<b>THE COMPANY</b>								
At 1st July, 1999	65,055	-	61,949	-	29,353	-	(146,372)	9,985
Premium arising on issue of shares	68,295	-	-	-	-	-	-	68,295
Expenses incurred in connection with the issue of shares	(6,445)	-	-	-	-	-	-	(6,445)
Bonus issue of shares	(10,569)	-	-	-	-	-	-	(10,569)
Credit arising on reduction of share capital	-	-	-	-	-	-	139,213	139,213
Loss for the year	-	-	-	-	-	-	(10,527)	(10,527)
At 30th June, 2000 and 1st July, 2000	116,336	-	61,949	-	29,353	-	(17,686)	189,952
Premium arising on issue of shares	204,724	-	-	-	-	-	-	204,724
Expenses incurred in connection with the issue of shares	(6,773)	-	-	-	-	-	-	(6,773)
Bonus issue of shares	-	-	-	-	(17,058)	-	-	(17,058)
Credit arising on reduction of share capital	-	-	-	-	27,092	-	17,686	44,778
Loss for the year	-	-	-	-	-	-	(166,726)	(166,726)
At 30th June, 2001	314,287	-	61,949	-	39,387	-	(166,726)	248,897

The special reserve of the Group represents the differences between the nominal value of the aggregate share capital of the subsidiaries acquired pursuant to the Group reorganisation in December 1997, over the nominal value of the Company's shares issued in exchange.

The contributed surplus of the Company represents the excess of the then combined net assets of the subsidiaries acquired pursuant to the Group reorganisation in December 1997, over the nominal value of the Company's shares issued in exchange.

The distributable reserve of the Group and the Company represents the aggregate of the credit arising from the reduction of nominal value of the Company's share capital in March 1999 and March 2001 and the effect of the bonus issue of shares in September 2000.



## 27. RESERVES (continued)

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

- (a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, as at 30th June, 2000, the Company's reserves available for distribution to shareholders were as follows:

	HK\$'000
Contributed surplus	61,949
Distributable reserve	29,353
Accumulated losses	(17,686)
	73,616

In the opinion of the directors, the Company had no reserves available for distribution as at 30th June, 2001.

## 28. RECONCILIATION OF (LOSS) PROFIT BEFORE TAXATION TO NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES

	2001 HK\$'000	2000 HK\$'000
(Loss) profit before taxation	(73,983)	3,560
Interest income	(9,140)	(3,102)
Interest expenses	26	867
Dividend income from listed securities	(173)	-
Amortisation of intangible assets	1,333	-
Depreciation	1,365	30
Gain on disposal/liquidation of subsidiaries	(22,585)	-
Gain on disposal of long term investments	(2,381)	(9,095)
Loss (gain) on disposal of other investments	4,591	(1,893)
Loss on disposal of fixed assets	-	49
Unrealised loss on other investments	6,407	56
Share of loss (profit) of an associate	567	(513)
Provision for impairment loss of long term investments	49,950	-
Provision for other receivables	36,430	-
Decrease (increase) in trade and other receivables	25,644	(17,363)
(Decrease) increase in trade and other payables	(16,392)	2,799
(Decrease) increase in amount due to a related company	(843)	225
Net cash inflow (outflow) from operating activities	816	(24,380)



## 29. ACQUISITION OF SUBSIDIARIES

	2001 HK\$'000	2000 HK\$'000
Net assets acquired:		
Fixed assets	3,222	351
Intangible assets	4,833	-
Trade and other receivables	2,180	96
Cash and bank balances	-	7
Trade and other payables	(7,937)	(73)
Amount due to a related company	-	(618)
	2,298	(237)
Less: interest acquired in previous years classified as interest in an associate	(459)	-
Net assets acquired	1,839	(237)
Goodwill on acquisition of subsidiaries	75,636	15,487
Consideration	77,475	15,250
Satisfied by:		
Cash consideration paid	77,475	15,250
Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries:		
Cash consideration paid	(77,475)	(15,250)
Cash and bank balances acquired	-	7
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(77,475)	(15,243)

The subsidiaries acquired during the year did not have any significant impact on the Group's cash flows or operating results for the year.



## 30. DISPOSAL/LIQUIDATION OF SUBSIDIARIES

	2001 HK\$'000	2000 HK\$'000
Net liabilities disposed of:		
Trade and other payables	(1,787)	-
Taxation payable	(17,198)	-
	(18,985)	-
Goodwill realised on disposal of subsidiaries	10,000	-
Gain on disposal/liquidation of subsidiaries	22,585	-
Consideration	13,600	-
Satisfied by:		
Cash consideration	13,600	-

The subsidiary disposed of/liquidated during the year did not have any significant impact on the Group's cash flows or operating results for the year.

## 31. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium HK\$'000	Minority interest HK\$'000	Bank loans HK\$'000
At 1st July, 1999	67,169	-	7,739
Proceeds from issue of shares	211,883	-	-
Expenses incurred in connection with the issue of shares	(6,445)	-	-
Reduction in capital	(139,213)	-	-
Repayment	-	-	(5,455)
At 30th June, 2000 and 1st July, 2000	133,394	-	2,284
Proceeds from issue of shares	221,787	-	-
Bonus issue of shares	17,058	-	-
Expenses incurred in connection with the issue of shares	(6,773)	-	-
Reduction in capital	(44,778)	-	-
Repayment	-	-	(2,284)
Contribution from a minority shareholder	-	4	-
At 30th June, 2001	320,688	4	-



### 32. UNRECOGNISED DEFERRED TAXATION

A deferred tax asset has not been recognised in the financial statements as it is not certain that the benefit will be realised in the foreseeable future.

The major components of unrecognised (unprovided) deferred taxation credit (charge) for the year are as follows:

	2001 HK\$'000	2000 HK\$'000
Tax effect of timing differences attributable to:		
Excess of tax allowances over depreciation charged in the financial statements	(94)	-
Tax losses arising	7,851	100
	<u>7,757</u>	<u>100</u>

At the balance sheet date, the net potential deferred tax asset in respect of timing differences which have not been recognised in the balance sheet is analysed as follows:

	2001 HK\$'000	2000 HK\$'000
Tax effect of timing differences attributable to:		
Excess of tax allowances over depreciation charged in the financial statements	(94)	-
Utilised tax losses	9,151	1,300
	<u>9,057</u>	<u>1,300</u>

The Company had no significant unprovided deferred taxation for the year or at the balance sheet date.



### 33. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had outstanding commitments payable under non-cancellable operating leases in respect of rented premises which fall due as follows:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Within one year	2,671	336
In the second to fifth year inclusive	1,734	308
	<b>4,405</b>	<b>644</b>

The Company had no operating lease commitments at the balance sheet date.

Operating lease payments represent rentals payable by the Group for certain of its office. The average lease term is 1 – 2 years. Rentals are fixed and no arrangements has been entered into for contingent rentals payments.

### 34. PLEDGE OF ASSETS

At 30th June, 2001, the Group had pledged a bank deposit of approximately HK\$5,500,000 (2000: Nil) to a bank for general banking facilities granted to the Group.

### 35. CAPITAL COMMITMENTS

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Capital expenditure in respect of the acquisition of fixed assets contracted for but not provided in the financial statements	2,249	-

### 36. 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 eventual resolution of the legal action is unlikely to result in payment by the Group and no provision for any potential liability is required in the financial statements.

**37. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES**

Details of balances with connected and related parties are set out in notes 21 and 22.

During the year, the Group made an unsecured, interest bearing advance of HK\$5,000,000 (2000: Nil) to a director of a subsidiary. The amount was subsequently settled.

In addition, the Company had given guarantees outstanding at 30th June, 2001 amounting to HK\$4,500,000 (2000: Nil) to a bank in respect of banking facilities granted by the bank to Digital Nunet Exchange Limited ("Digital Nunet") which is 55% owned by the Group. The guarantees given by the Group were the only financial assistance given by Digital Nunet's shareholders to Digital Nunet.

During the year ended 30th June, 2000, the Group paid legal and professional fee of HK\$130,000 to Ng, Yeung & Partners, a company in which Mr. Yeung Shu Lam, Wilson, a former director of the Company, had a beneficial interest.

**38. PARTICULARS OF PRINCIPAL SUBSIDIARIES**

Particulars of the Company's principal subsidiaries at 30th June, 2001 are as follows:

Name of subsidiary	Place of incorporation/ operations	Nominal value of issued and paid up share capital	Proportion of issued share capital held by the Group %	Principal activities
Ancora Worldwide Limited*	British Virgin Islands	US\$100	100	Investment holding
Best Victory Trading Limited *	Hong Kong	HK\$2,000,000	100	Distribution of electrical consumer products, computer related products, and electronic components
CWAP (Beijing) Limited	The People's Republic of China	HK\$1,500,000	100	Provision of Chinese WAP services
Digital Nunet	Hong Kong	HK\$10,000	55	Provision of technology services
Digital World Finance Limited *	Hong Kong	HK\$1,000,000	100	Money lending
Dynamic Rich Ltd. *	British Virgin Islands	US\$1,000	100	Investment holding
Michael Lai Production Holdings Limited	British Virgin Islands	US\$1,000	70	Provision of entertainment services





### 38. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ operations	Nominal value of issued and paid up share capital	Proportion of issued share capital held by the Group %	Principal activities
New Dynamic Venture Corporation *	British Virgin Islands	US\$1,000	100	Investment holding
Vital Tech Company Limited *	British Virgin Islands	US\$1,000	100	Investment holding
Wing Kit Worldwide Ltd. *	British Virgin Islands	US\$1,000	100	Investment holding
World Express Investment Ltd. *	British Virgin Islands	US\$1,000	100	Investment holding

Other than those subsidiaries with an "\*" which are directly held by the Company, all the subsidiaries are indirectly held.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for 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 particulars of excessive length.

### 39. POST BALANCE SHEET EVENTS

The Group has the following post balance sheet events:

On 18th June, 2001, the Group entered into a conditional agreement to acquire 4,000 shares in Well Pacific Investments Limited ("Well Pacific"), representing 8% of the issued share capital of Well Pacific at a consideration of HK\$9,980,000 of which HK\$4,400,000 would be satisfied by cash and the balance of HK\$5,580,000 would be satisfied by the issue of 18,600,000 shares in the Company. Well Pacific is an investment holding company which holds a 85% equity interest in Siping Wei Da Transportation Company Limited, a sino-foreign joint venture company in the PRC. The transaction was completed in September 2001. Details of this transaction are contained in a circular of the Company dated 12th July, 2001.