

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31st December, 2001

1. Basis of preparation

This interim financial statement is unaudited, but has been reviewed by the Company's audit committee, and has 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 Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants.

The accounting policies adopted in preparing this interim financial report are consistent with those adopted in preparing the Company's 2000/2001 annual accounts.

2. Segmental information

	Turnover		Contribution to loss from operations	
	Six months ended 31st December, 2001	2000	Six months ended 31st December, 2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By principal activities				
Distribution of electrical consumer products	32,180	56,361	(3,908)	(36)
Provision of entertainment services	536	50	(531)	(56)
Advertising & design services	244	3,770	(4,763)	2,678
Telecommunication services	215	–	(1,815)	–
	<u>33,175</u>	<u>60,181</u>	<u>(11,017)</u>	<u>2,586</u>
Net realized gain/(loss) on investments			(10,398)	842
Provision for impairment loss of long term investments			(15,900)	(25,500)
			<u>(37,315)</u>	<u>(22,072)</u>

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



3. Depreciation/amortisation

During the period, depreciation of HK\$1,645,000 (2000: HK\$279,000) was charged in respect of the Group's fixed assets and amortisation of HK\$1,000,000 (2000: HK\$333,000) 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 as the Group had no assessable profits.

5. Dividend

The directors do not recommend the payment of an interim dividend in respect of the six months ended 31st December, 2001 (2000: nil).

6. Loss per share

The calculation of the basic loss per share is based on the net loss for the period of HK\$38,132,000 (2000: HK\$18,840,000) and on the weighted average number of ordinary shares in issue during the period of 649,893,048 (2000: 427,465,841) shares in issue adjusted for the effect of the Company's consolidation of shares on 22nd March, 2001.

Diluted loss per share for the period ended 31st December, 2001 has not been calculated as no diluting events existed during the period. Diluted loss per share for the period ended 31st December, 2000 has not been shown as the outstanding warrants had an anti-dilutive effect on the basic loss per share for the period.

7. Fixed assets

During the period, the Group acquired fixed assets for the amount of HK\$4,460,000 (2000: HK\$1,104,000).

8. Trade and other receivables

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

	At 31st December 2001 HK\$'000	At 30th June 2001 HK\$'000
0-1 month	2,499	273
1-3 months	11,559	586
Over 3 months	<u>6,531</u>	<u>1,736</u>
	20,589	2,595
Provision for doubtful debt	<u>(800)</u>	<u>-</u>
	<u>19,789</u>	<u>2,595</u>

9. Trade and other payables

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

	At 31st December 2001 HK\$'000	At 30th June 2001 HK\$'000
0-1 month	897	137
1-3 months	<u>9,810</u>	<u>-</u>
	<u>10,707</u>	<u>137</u>

10. Share capital

	No. of shares	Amount HK\$
Issued and fully paid:		
At the beginning of the period	640,087,213	6,400,872
Issue new shares	18,600,000	186,000
Issue new shares upon exercise of warrants	<u>905</u>	<u>9</u>
At the end of the period	<u>658,688,118</u>	<u>6,586,881</u>



11. Reserves

Movement of reserves during the period are as follows:

	Share premium HK\$'000	Capital reserve HK\$'000	Special reserve HK\$'000	Distributable reserve HK\$'000	Accumulated losses HK\$'000	Exchange reserve HK\$'000	Total HK\$'000
As at 1st July, 2001	314,287	(100,257)	847	39,386	(23,008)	(26)	231,229
Premium arising on issue shares for acquisition of an investment	5,394	-	-	-	-	-	5,394
Premium arising on issue shares upon exercise of warrants	1	-	-	-	-	-	1
Loss for the period	-	-	-	-	(38,132)	-	(38,132)
Exchange difference	-	-	-	-	-	34	34
As at 31st December, 2001	<u>319,682</u>	<u>(100,257)</u>	<u>847</u>	<u>39,386</u>	<u>(61,140)</u>	<u>8</u>	<u>198,526</u>

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**
HK\$'000

Revenue	-
Operating costs	<u>(414)</u>
Loss from operation	<u>(414)</u>

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. 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.