

1. GENERAL

The Company is a public limited company incorporated in Bermuda as an exempted company with limited liability and its shares 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 and an associate are set out in notes 39 and 13, respectively.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAP(s)") issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements.

The adoption of these new and revised SSAPs has resulted in the following changes to the Group's accounting policies that have affected the amounts and disclosures reported for the current or prior periods.

Segment reporting

In the current year, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 "Segment Reporting". Segment disclosures for the year ended 30th June 2001 have been amended so that they are presented on a consistent basis.

Goodwill

In the current year, the Group has adopted SSAP 30 "Business Combinations" and has elected not to restate goodwill previously eliminated against reserves. Accordingly, goodwill arising on acquisitions prior to 1st July 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after 1st July 2001 is capitalised and amortised over its estimated useful life.

3. 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:

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and associates 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 within the Group are eliminated on consolidation.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its 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 less any identified impairment loss.

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.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as assets owned by the Group or, where shorter, the term of the relevant lease.

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

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

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 investment securities or other investments.

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

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

Assets held under finance leases

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease. Finance costs, which represent the difference between the total commitments and the outstanding principal amount at the inception of the finance leases, are charged to the income statement over the period of the relevant leases so as to produce a constant periodic rate of charge on the remaining balances of the obligations for each accounting period.

All other leases are classified as operating leases and the rentals are charged to the income statement on a straight line basis over the term of the relevant lease.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Retirement benefits costs

The pension costs charged in the income statement represent the contributions payable in the current year to the Group's Mandatory Provident Fund Scheme.

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into five operating divisions namely distribution and trading; provision of entertainment services; provision of website, advertising and design services; provision of telecommunications services; and investment and financial services.

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

Segment information about these businesses is presented below:

INCOME STATEMENT

FOR THE YEAR ENDED 30TH JUNE 2002

	Distribution and trading HK\$'000	Provision of entertainment services HK\$'000	Provision of website, advertising and design services HK\$'000	Provision of telecommunications services HK\$'000	Investment and financial services HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
REVENUE							
External sales	49,973	1,243	567	3,065	7,623	-	62,471
Inter-segment sales	-	-	-	5	500	(505)	-
Total	<u>49,973</u>	<u>1,243</u>	<u>567</u>	<u>3,070</u>	<u>8,123</u>	<u>(505)</u>	<u>62,471</u>
Inter-segment sales are charged at prevailing market prices							
Segment results	<u>(7,710)</u>	<u>(6,157)</u>	<u>(93,346)</u>	<u>(6,710)</u>	<u>(72,389)</u>	<u>-</u>	<u>(186,312)</u>
Unallocated corporate expenses							<u>(3,072)</u>
Loss from operations							<u>(189,384)</u>
Finance costs							<u>(389)</u>
Allowance for amount due from an associate							<u>(1,271)</u>
Share of loss of an associate							<u>(5)</u>
Loss before taxation							<u>(191,049)</u>
Taxation							<u>-</u>
Loss for the year							<u>(191,049)</u>

BALANCE SHEET

AT 30TH JUNE 2002

ASSETS							
Segment assets	17,592	853	4,850	11,443	203,046	-	237,784
Unallocated corporate assets							<u>30,776</u>
Total assets							<u>268,560</u>
LIABILITIES							
Segment liabilities	8,606	12	2,718	2,655	3,140	-	17,131
Unallocated corporate liabilities							<u>4,962</u>
Total liabilities							<u>22,093</u>

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

	Distribution and trading HK\$'000	Provision of entertainment services HK\$'000	Provision of website, advertising and design services HK\$'000	Provision of telecommunications services HK\$'000	Investment and financial services HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
OTHER INFORMATION							
Capital additions	50	362	571	2,526	-	-	3,509
Amortisation of intangible assets	-	-	2,000	-	-	-	2,000
Depreciation	180	90	1,691	1,871	-	-	3,832
Allowance for trade and other receivables	4,733	-	-	-	2,500	-	7,233
Allowance for short-term loans receivable	-	-	-	-	19,657	-	19,657

INCOME STATEMENT

FOR THE YEAR ENDED 30TH JUNE 2001

	Distribution and trading HK\$'000	Provision of entertainment services HK\$'000	Provision of website, advertising and design services HK\$'000	Provision of telecommunications services HK\$'000	Investment and financial services HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
REVENUE							
External sales	76,471	1,072	3,770	-	9,313	-	90,626
Segment results	(8,079)	(899)	(624)	(699)	(86,105)	-	(96,406)
Unallocated corporate expenses							(192)
Unallocated corporate income							623
Loss from operations							(95,975)
Finance costs							(26)
Share of loss of an associate							(567)
Gain on disposal/liquidation of subsidiaries							22,585
Loss before taxation							(73,983)
Taxation							(130)
Loss for the year							(74,113)

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

BALANCE SHEET

AT 30TH JUNE 2001

	Distribution and trading <i>HK\$'000</i>	Provision of entertainment services <i>HK\$'000</i>	Provision of website, advertising and design services <i>HK\$'000</i>	Provision of telecommunications services <i>HK\$'000</i>	Investment and financial services <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS							
Segment assets	3,407	448	7,806	8,651	102,759	-	123,071
Unallocated corporate assets							120,554
Total assets							<u>243,625</u>
LIABILITIES							
Segment liabilities	633	45	759	826	2,323	-	4,586
Unallocated corporate liabilities							1,405
Total liabilities							<u>5,991</u>
OTHER INFORMATION							
Capital additions	737	5	6,080	7,108	-	-	13,930
Amortisation of intangible assets	-	-	1,333	-	-	-	1,333
Depreciation	100	71	982	212	-	-	1,365
Allowance for trade and other receivables	800	-	-	-	-	-	800
Allowance for short-term loans receivable	-	-	-	-	36,430	-	36,430

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Geographical segments

The Group's operations are principally located in Hong Kong and the People's Republic of China other than Hong Kong (the "PRC").

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	Sales by geographical market		Loss from operations	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	61,904	90,626	(182,303)	(96,406)
PRC	567	–	(4,009)	–
	<u>62,471</u>	<u>90,626</u>	<u>(186,312)</u>	<u>(96,406)</u>
Unallocated corporate expenses			(3,072)	(192)
Unallocated corporate income			–	623
Loss from operations			<u>(189,384)</u>	<u>(95,975)</u>

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	262,278	242,083	2,937	12,846
PRC	1,282	1,542	572	1,084
	<u>268,560</u>	<u>243,625</u>	<u>3,509</u>	<u>13,930</u>

5. NET INVESTMENT EXPENSES

	2002 HK\$'000	2001 <i>HK\$'000</i>
Loss (gain) on disposal of investment securities	10,689	(2,381)
Unrealised loss on other investments	9,844	6,407
Loss on disposal of other investments	1,819	4,591
	22,352	8,617

6. LOSS FROM OPERATIONS

	2002 HK\$'000	2001 <i>HK\$'000</i>
Loss from operations has been arrived at after charging:		
Directors' emoluments (<i>note 8(a)</i>)	2,079	2,045
Pension contributions	127	53
Other staff costs	4,231	2,452
Total staff costs	6,437	4,550
Amortisation of intangible assets (included in administrative expenses)	2,000	1,333
Auditors' remuneration	565	502
Depreciation		
Owned assets	3,812	1,365
Assets held under finance leases	20	-
Loss on disposal of property, plant and equipment	587	-
and after crediting:		
Interest income	7,622	9,140
Dividend income from listed securities	1	173

7. FINANCE COSTS

	2002 HK\$'000	2001 <i>HK\$'000</i>
Interest on:		
Bank loan wholly repayable within five years	181	–
Other loan wholly repayable within five years	202	26
Obligations under finance leases	6	–
	<hr/> 389 <hr/>	<hr/> 26 <hr/>

8. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

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

(a) Directors' emoluments

	2002 HK\$'000	2001 <i>HK\$'000</i>
Directors' fees:		
Executive directors	–	–
Independent non-executive directors	100	50
Other emoluments for executive directors:		
Basic salaries and allowances	1,979	1,995
	<hr/> 2,079 <hr/>	<hr/> 2,045 <hr/>

The emoluments of each director were within the following band:

	Number of Directors	
	2002	2001
Nil to HK\$1,000,000	6	7
	<hr/> 6 <hr/>	<hr/> 7 <hr/>

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.

8. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments

Of the five highest paid individuals in the Group, four (2001 : four) are directors of the Company whose emoluments are set out in note 8(a) above. The emolument of the remaining one individual (2001 : one) is as follows:

	2002 HK\$'000	2001 HK\$'000
Basic salaries and allowances	300	300

9. TAXATION

No provision for taxation has been made in the financial statements as members of the Group had no assessable profit for the year.

The taxation charge for the year ended 30th June 2001 represented Hong Kong Profits Tax calculated at 16% of the estimated assessable profit for that year.

Details of the unrecognised deferred taxation are set out in note 33.

10. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to shareholders for the year of HK\$191,049,000 (2001 : HK\$74,113,000) and on the weighted average of 36,349,759 (2001 : 8,252,334) shares in issue during the year.

The weighted average number of ordinary shares used for the purpose of calculating basic loss per share for the year ended 30th June 2001 has been adjusted for the effect of a rights issue as described in note 24.

As required by paragraph 42 of SSAP 5 "Earnings Per Share", the weighted average number of ordinary shares for the purpose of calculating basic loss per share for 2002 and 2001 has been further adjusted for the effect of the share consolidation approved on 9th September 2002, details of which are set out in note 40.

No diluted loss per share has been presented as the conversion of warrants, which lapsed during the year, would result in a decrease in loss per share for both years.

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP					
COST					
At 1st July 2001	369	5,187	7,256	650	13,462
Exchange realignment	–	–	8	2	10
Additions	1,594	795	765	355	3,509
Disposals	(132)	(31)	(738)	–	(901)
At 30th June 2002	1,831	5,951	7,291	1,007	16,080
DEPRECIATION					
At 1st July 2001	28	161	1,901	83	2,173
Exchange realignment	–	–	1	–	1
Provided for the year	300	1,172	2,184	176	3,832
Eliminated on disposals	(4)	(9)	(293)	–	(306)
At 30th June 2002	324	1,324	3,793	259	5,700
NET BOOK VALUE					
At 30th June 2002	1,507	4,627	3,498	748	10,380
At 30th June 2001	341	5,026	5,355	567	11,289

At 30th June 2002, the net book value of furniture, fixtures and equipment included an amount of HK\$92,000 (2001 : nil) in respect of assets held under finance leases.

12. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2002	2001
	HK\$'000	HK\$'000
Unlisted shares, at cost	98,514	98,514
Amounts due from subsidiaries	447,964	270,931
	<hr/>	<hr/>
	546,478	369,445
Less: Impairment loss recognised	(324,226)	(184,226)
	<hr/>	<hr/>
	222,252	185,219
	<hr/>	<hr/>

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.

An impairment loss of HK\$140,000,000 (2001 : HK\$94,538,000) has been recognised in respect of the investments in and advances to subsidiaries to their recoverable amounts which are determined by reference to the fair value of the underlying assets of the respective subsidiaries at the balance sheet date.

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 principal subsidiaries at 30th June 2002 are set out in note 39.

13. INTEREST IN AN ASSOCIATE

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Unlisted shares, at cost	5	–
Share of post-acquisition loss of an associate	(5)	–
	<hr/>	<hr/>
	–	–
Amount due from an associate, less allowance	226	–
	<hr/>	<hr/>
	226	–
	<hr/>	<hr/>

The amount due from an associate is unsecured, interest free and has no fixed terms of repayment. In the opinion of the directors, the amount will not be repayable within twelve months from the balance sheet date and is therefore shown as non-current.

13. INTEREST IN AN ASSOCIATE (continued)

Particulars of the Group's associate at 30th June 2002 are as follows:

Name of associate	Place of incorporation	Nominal value of issued and paid up share capital	Proportion of issued share capital held by the Company %	Principal activities
Magicon Limited	Hong Kong	HK\$10,000	50	Investment in a company which is engaged in graphic design, 3D animation, vision effect and software development

14. INVESTMENTS IN SECURITIES

	Investment securities		Other investments		Total	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
THE GROUP						
Listed equity securities in Hong Kong	11,996	33,154	7,549	792	19,545	33,946
Unlisted equity securities in Hong Kong	34,980	2,650	–	–	34,980	2,650
	46,976	35,804	7,549	792	54,525	36,596
Market value of listed securities	11,544	30,211	7,549	792	19,093	31,003
Carrying amount analysed for reporting purposes as:						
Non-current	46,976	35,804	–	–	46,976	35,804
Current	–	–	7,549	792	7,549	792
	46,976	35,804	7,549	792	54,525	36,596

14. INVESTMENTS IN SECURITIES (continued)

During the year, the directors of the Company have reviewed the carrying amount of the investment securities in light of the current market condition with reference to the financial results and business operated by certain investees. The directors have identified impairment loss of HK\$20,300,000 (2001 : HK\$49,950,000) on the investment securities, estimated by reference to the market value and the amount has been recognised in the income statement accordingly.

15. INTANGIBLE ASSETS

	Development costs <i>HK\$'000</i>
THE GROUP COST	
At 1st July 2001 and at 30th June 2002	4,833
AMORTISATION	
At 1st July 2001	1,333
Provided for the year	2,000
At 30th June 2002	3,333
NET BOOK VALUE	
At 30th June 2002	1,500
At 30th June 2001	3,500

16. DEPOSIT MADE FOR ACQUISITION OF A SUBSIDIARY/AN INVESTMENT SECURITY

At 30th June 2002, the balance represented the full amount of consideration paid by the Group in connection with its acquisition of a 70% interest in a private limited company incorporated in Taiwan. At 30th June 2002, the transfer of the legal ownership to the Group had not been completed.

At 30th June 2001, the balance represented an amount paid by the Group in connection with the acquisition of a 12.5% interest in another private limited company incorporated in Taiwan. The transfer of the ownership to the Group had not been completed. In the opinion of the directors, the deposit paid is not recoverable and accordingly an allowance of HK\$10 million was made in the current year.

17. TRADE AND OTHER RECEIVABLES

The credit terms granted by the Group to its trade customers normally range from 30 days to 150 days. Included in the balances are trade receivables of HK\$17,535,000 (2001 : HK\$2,595,000) and their aged analysis is as follows:

	THE GROUP	
	2002	2001
	HK\$'000	<i>HK\$'000</i>
0 – 1 month	1,473	273
1 – 3 months	10,451	586
Over 3 months	5,611	1,736
	<hr/> 17,535 <hr/>	<hr/> 2,595 <hr/>

18. SHORT-TERM LOANS RECEIVABLE

On the balance sheet date, the loans were:

	THE GROUP	
	2002	2001
	HK\$'000	<i>HK\$'000</i>
Not yet due/extended	119,467	41,430
Overdue	38,200	47,650
Accrued interest receivable	2,534	1,574
	<hr/> 160,201 <hr/>	<hr/> 90,654 <hr/>
Allowance	(32,657)	(36,430)
	<hr/> 127,544 <hr/>	<hr/> 54,224 <hr/>

The loans were made in general for a period from one to eighteen months, but may be extended on mutual agreement. These loans carry interest ranging from 5% to 27% per annum.

19. PLEDGED BANK DEPOSITS

At the balance sheet date, the following bank deposits were pledged to banks in respect of banking facilities granted to:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
An investee company	10,000	–
A subsidiary	7,576	5,500
	<hr/>	<hr/>
	17,576	5,500
	<hr/>	<hr/>

20. TRADE AND OTHER PAYABLES

Included in the balances are trade payables of HK\$9,313,000 (2001 : HK\$137,000) and their aged analysis is as follows:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
0 – 1 month	2,107	137
1 – 3 months	7,206	–
	<hr/>	<hr/>
	9,313	137
	<hr/>	<hr/>

21. AMOUNTS DUE TO DIRECTORS

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

22. UNSECURED BANK AND OTHER LOANS

	THE GROUP	
	2002	2001
	HK\$'000	<i>HK\$'000</i>
Bank and other loans comprise:		
Bank loan	3,563	–
Other loan	429	–
	<hr/> 3,992 <hr/>	<hr/> – <hr/>
The bank and other loans are repayable as follows:		
Within one year or on demand	1,554	–
More than one year, but not exceeding two years	1,125	–
More than two years, but not exceeding five years	1,313	–
	<hr/> 3,992 <hr/>	<hr/> – <hr/>
<i>Less:</i> Amount due within one year shown under current liabilities	(1,554)	–
	<hr/> 2,438 <hr/>	<hr/> – <hr/>

23. OBLIGATIONS UNDER FINANCE LEASES

THE GROUP	Minimum lease payments		Present value of minimum lease payments	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Amounts payable under finance leases:				
Within one year	41	-	37	-
In the second to fifth year inclusive	57	-	45	-
	<hr/>	<hr/>	<hr/>	<hr/>
	98	-	82	-
Less: future finance charges	(16)	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Present value of lease obligations	82	-	82	-
	<hr/>	<hr/>	<hr/>	<hr/>
Less: Amount due for settlement within one year shown under current liabilities			(37)	-
			<hr/>	<hr/>
Amount due for settlement after one year			45	-
			<hr/>	<hr/>

It is the Group's policy to lease certain of its furniture, fixtures and equipment under finance leases. The average lease term is 4 years. For the year ended 30th June 2002, the average effective borrowing rate is approximately 12%. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

24. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.001 each at 1st July 2000	<u>200,000,000,000</u>	<u>200,000</u>
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	<u>2,500,000,000</u>	<u>200,000</u>
Ordinary shares of HK\$0.01 each:		
Subdivision of existing shares of HK\$0.08 each into 8 shares of HK\$0.01 each resulting in ordinary shares of HK\$0.01 each at 30th June 2001 and 30th June 2002	<u>20,000,000,000</u>	<u>200,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.001 each at 1st July 2000	17,058,325,682	17,058
Rights issue of shares	17,058,352,682	17,059
Bonus issue of shares	<u>17,058,325,682</u>	<u>17,058</u>
	<u>51,174,977,046</u>	<u>51,175</u>
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	<u>639,687,213</u>	<u>51,175</u>
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	<u>400,000</u>	<u>4</u>
Ordinary shares of HK\$0.01 each at 30th June 2001	640,087,213	6,401
Issue of shares	18,600,000	186
Rights issue of shares	7,245,569,298	72,456
Exercise of warrants	<u>905</u>	<u>–</u>
Ordinary shares of HK\$0.01 each at 30th June 2002	<u>7,904,257,416</u>	<u>79,043</u>

24. SHARE CAPITAL (continued)

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

- (i) On 26th September 2001, the Company issued 18,600,000 new shares of HK\$0.01 each at a price of HK\$0.30 per share as partial consideration for the acquisition of an 8% equity interest in Well Pacific Investments Limited. Details of the transaction are set out in the circular of the Company dated 12th July 2001.
- (ii) Pursuant to ordinary resolutions passed at a special general meeting held on 22nd February 2002, the Company issued 7,245,569,298 new ordinary shares of HK\$0.01 each in the Company at HK\$0.015 per share to the then existing shareholders by way of a rights issue ("Rights Issue") in the proportion of eleven rights shares for every share then held. The net proceeds of the Rights Issue of approximately HK\$104,000,000 were used for the general working capital of the Group and for future investment in the technology industry.
- (iii) During the year, warrant-holders exercised their rights to subscribe for a total of 905 new ordinary shares of HK\$0.01 each in the Company for a total consideration of HK\$507.

25. WARRANTS

	Number of ordinary shares	Subscription rights <i>HK\$'000</i>
Warrants at a subscription price of HK\$0.56 each:		
Balance in issue at 1st July 2001	84,891,628	47,735
Exercised during the year	(905)	-
Lapsed during the year	<u>(84,890,723)</u>	<u>(47,735)</u>
Balance in issue at 30th June 2002	<u>-</u>	<u>-</u>

26. SHARE OPTIONS

The Company has a share option scheme under which the directors and employees of the Company and its subsidiaries may be granted options to subscribe for ordinary shares in the Company. As at 30th June 2002, no option had been granted under the scheme.

27. RESERVES

	Share premium <i>HK\$'000</i>	Goodwill <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Distributable reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Accumulated profits (losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP								
At 1st July 2000	116,336	(34,621)	-	847	29,353	-	33,418	145,333
Exchange difference arising from translation of operations outside Hong Kong	-	-	-	-	-	(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 Realised on disposal of subsidiaries	-	-	-	-	(17,058)	-	-	(17,058)
	-	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)
	<u>314,287</u>	<u>(100,257)</u>	<u>-</u>	<u>847</u>	<u>39,387</u>	<u>(26)</u>	<u>(23,009)</u>	<u>231,229</u>
At 30th June 2001	314,287	(100,257)	-	847	39,387	(26)	(23,009)	231,229
Exchange difference arising from translation of operations outside Hong Kong	-	-	-	-	-	43	-	43
Premium arising on issue of shares	41,622	-	-	-	-	-	-	41,622
Expenses incurred in connection with the issue of shares	(4,383)	-	-	-	-	-	-	(4,383)
Impairment loss recognised	-	89,958	-	-	-	-	-	89,958
Loss for the year	-	-	-	-	-	-	(191,049)	(191,049)
	<u>351,526</u>	<u>(10,299)</u>	<u>-</u>	<u>847</u>	<u>39,387</u>	<u>17</u>	<u>(214,058)</u>	<u>167,420</u>
At 30th June 2002	351,526	(10,299)	-	847	39,387	17	(214,058)	167,420
Attributable to:								
The Company and subsidiaries	351,526	(10,299)	-	847	39,387	17	(214,053)	167,425
Associate	-	-	-	-	-	-	(5)	(5)
	<u>351,526</u>	<u>(10,299)</u>	<u>-</u>	<u>847</u>	<u>39,387</u>	<u>17</u>	<u>(214,058)</u>	<u>167,420</u>
At 30th June 2002	351,526	(10,299)	-	847	39,387	17	(214,058)	167,420

27. RESERVES (continued)

	Share premium HK\$'000	Goodwill 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
THE COMPANY								
At 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
Premium arising on issue of shares	41,622	-	-	-	-	-	-	41,622
Expenses incurred in connection with the issue of shares	(4,383)	-	-	-	-	-	-	(4,383)
Profit for the year	-	-	-	-	-	-	(136,640)	(136,640)
At 30th June 2002	351,526	-	61,949	-	39,387	-	(303,366)	149,496

The special reserve of the Group represents the differences between the nominal value of the aggregate share capital of the subsidiaries acquired pursuant to a group reorganisation in December 1997 (the "Group Reorganisation"), 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 less the amount utilised for a bonus issue of shares in September 2000.

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:

- the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- 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, the Company had no reserves available for distribution as at 30th June 2002 and 30th June 2001.

During the year, the directors reviewed the carrying value of the goodwill which had previously been dealt with reference to the business operated by those subsidiaries principally engaging in the website, entertainment and advertising business. In view of the current economic condition, an impairment loss of HK\$89,958,000 has been identified and recognised in the consolidated income statement.

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

	2002 HK\$'000	2001 HK\$'000
Loss before taxation	(191,049)	(73,983)
Interest income	(7,622)	(9,140)
Interest expenses	389	26
Dividend income from listed securities	(1)	(173)
Amortisation of intangible assets	2,000	1,333
Depreciation	3,832	1,365
Gain on disposal/liquidation of subsidiaries	–	(22,585)
Loss (gain) on disposal of investment securities	10,689	(2,381)
Loss on disposal of other investments	1,819	4,591
Loss on disposal of property, plant and equipment	587	–
Unrealised loss on other investments	9,844	6,407
Share of results of associates	5	567
Impairment loss on investment securities	20,300	49,950
Impairment loss on goodwill previously dealt with in reserve	89,958	–
Allowance for short-term loans receivable	19,657	36,430
Allowance for deposit made for acquisition of an investment security	10,000	–
Allowance for trade and other receivables	7,233	800
Allowance for amount due from an associate	1,271	–
(Increase) decrease in trade and other receivables	(21,498)	24,844
Increase (decrease) in trade and other payables	12,899	(16,392)
Decrease in amount due to a related company	–	(843)
	<hr/>	<hr/>
Net cash (outflow) inflow from operating activities	(29,687)	816

29. ACQUISITION OF SUBSIDIARIES

	2001 HK\$'000
Net assets acquired:	
Property, plant and equipment	3,222
Intangible assets	4,833
Trade and other receivables	2,180
Trade and other payables	<u>(7,937)</u>
	2,298
<i>Less:</i> Interest acquired in previous years classified as interest in an associate	<u>(459)</u>
Net assets acquired	1,839
Goodwill on acquisition of subsidiaries	<u>75,636</u>
Consideration	<u>77,475</u>
Satisfied by:	
Cash consideration paid	<u>77,475</u>

The subsidiaries acquired during the year ended 30th June 2001 did not have any significant impact on the Group's cash flows or operating results for that year.

30. DISPOSAL/LIQUIDATION OF SUBSIDIARIES

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

The subsidiary disposed of/liquidated during the year ended 30th June 2001 did not have any significant impact on the Group's cash flows or operating results for that year.

31. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Bank loan <i>HK\$'000</i>	Obligations under finance leases <i>HK\$'000</i>
At 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	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 30th June 2001	320,688	4	-	-
Proceeds from issue of shares	108,684	-	-	-
Issue of shares on acquisition of an investment security	5,580	-	-	-
Expenses incurred in connection with the issue of shares	(4,383)	-	-	-
New bank loan raised	-	-	4,500	-
Inception of finance leases	-	-	-	112
Repayment	-	-	(937)	(30)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30th June 2002	430,569	4	3,563	82

32. MAJOR NON-CASH TRANSACTIONS

During the year, the Group acquired an investment security for a consideration of approximately HK\$9,980,000, of which HK\$5,580,000 was satisfied by the issue of new shares as set out in note 24(i).

33. 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 deferred taxation credit (charge) for the year are as follows:

	2002 HK\$'000	2001 HK\$'000
Tax effect of timing differences attributable to:		
Excess of tax allowances over depreciation charged in the financial statements	(670)	(94)
Tax losses arising	5,201	1,183
	4,531	1,089

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:

	2002 HK\$'000	2001 HK\$'000
Tax effect of timing differences attributable to:		
Excess of tax allowances over depreciation charged in the financial statements	(764)	(94)
Unutilised tax losses	7,684	2,483
	6,920	2,389

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

34. OPERATING LEASE COMMITMENTS

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Minimum lease payments paid under operating leases in respect of rented premises	2,241	1,089

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises, which fall due as follows:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Within one year	1,767	2,671
In the second to fifth year inclusive	205	1,734
	1,972	4,405

Operating lease payments represent rentals payable by the Group for certain of its offices. Leases are negotiated for an average term of two years. Rentals are fixed and no arrangement has been entered into for contingent rentals payments.

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

35. CAPITAL COMMITMENTS

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	-	2,249

36. RETIREMENT BENEFITS SCHEME

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 charged to the income statement represent contributions payable to the fund by the Group at rates specified in the rules of the scheme.

37. 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 directors, 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.

In addition, at 30th June 2002, the Company had given a guarantee to a bank, details of which are set out in note 38 below.

38. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES

Details of balances with connected and related parties are set out in notes 13 and 21.

At 30th June 2002, the Company had given a guarantee amounting to HK\$3,563,000 (2001 : HK\$4,500,000) 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. Also, the Group had advanced approximately HK\$10,000,000 to Digital Nunet. The advance is unsecured, repayable on demand and carries interest at 5% per annum. The guarantee given by the Group and advance made by the Group were the only financial assistance given by Digital Nunet's shareholders to Digital Nunet.

In addition, at 30th June 2002, the Group had advanced approximately HK\$13,966,000 (2001 : HK\$2,169,000) to Michael Lai Production Holdings Limited ("Michael Lai Production") which is 70% owned by the Group. The advance is unsecured, interest free and repayable on demand. The advance made to Michael Lai Production was the only financial assistance given by Michael Lai Production's shareholders to Michael Lai Production.

At 30th June 2001, the Group made an unsecured, interest bearing advance of HK\$5,000,000 to a director of a subsidiary. The amount was fully settled during the year.

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 30th June 2002 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
Capital Ace Holdings Ltd*	British Virgin Islands	US\$1	100	Investment holding
City Star Technology Ltd*	British Virgin Islands	US\$1	100	Investment holding
CWAP (HK) Limited	Hong Kong	HK\$2	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
Mojoco Enterprise Incorporation*	British Virgin Islands	US\$1	100	Investment holding
New Dynamic Venture Corporation*	British Virgin Islands	US\$1,000	100	Investment holding

39. 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
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.

40. POST BALANCE SHEET EVENTS

The following significant events have occurred subsequent to the balance sheet date:

- (a) On 23rd August 2002, the Group entered into an agreement with a borrower and other parties, pursuant to which the Group acquired the right to use certain television airtime with a value of approximately HK\$13,276,000 as settlement for an equivalent amount due by the borrower. In the opinion of the director, the Group can profitably utilise or re-sell the airtime.
- (b) Resolutions were passed at a special general meeting held on 9th September 2002, pursuant to which:
 - (i) every 80 issued and unissued shares of HK\$0.01 each in the Company were consolidated into one share of HK\$0.80 each;
 - (ii) the nominal value of the share capital of the Company was reduced from HK\$0.80 each to HK\$0.01 each by cancellation of HK\$0.79 paid up capital on each issued share; and
 - (iii) a credit of approximately HK\$78,055,000 arising as a result of the above-mentioned capital reduction was applied to eliminate the accumulated losses of the Company.

Details of the above transactions are contained in a circular of the Company dated 14th August 2002.