

1. General

The Company is incorporated and registered as an exempted company in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries and associates are set out in notes 16 and 17 to the financial statements.

2. Adoption of new and revised Statements of Standard Accounting Practice

In the current year, the Group has adopted, for the first time, a number of new and revised Statement of Standard Accounting Practice ("SSAP") issued by the Hong Kong Society of Accountants. Adoption of these new and revised 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 reported for the current and prior years. Comparative disclosures for the prior year have been restated in order to achieve a consistent presentation.

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 charged to reserves. Accordingly, goodwill arising on acquisition prior to 1st July, 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate or at such time as the goodwill is determined to be impaired. Goodwill arising on acquisitions after 1st July, 2001 is capitalised and amortised on a straight-line basis over its estimated useful economic life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Cash Flow Statements

In the current year, the Group has adopted SSAP 15 (Revised) "Cash Flow Statements". Under SSAP 15 (Revised) cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under a separate heading, are classified as operating cash flows. Cash flow arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. Cash flows of overseas operations have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange ruling on the balance sheet date.

3. Significant accounting policies

The financial statements have been prepared under the historical cost convention as modified for the valuation of investment properties and 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 set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries other than those excluded for the reasons referred to below made up to the balance sheet date.

The results of the subsidiaries and associates which are 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-group transactions and balances have been eliminated on consolidation.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition.

Goodwill arising on acquisitions prior to 1st July, 2001 continues to be 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 on a straight-line basis over its useful economic life and is presented separately in the balance sheet.

On disposal of investments in subsidiaries or associates, the attributable amount of unamortised goodwill/goodwill previously eliminated against reserves is included in the determination of the profit or loss on disposal.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisitions after 1st July, 2001 is presented as deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

Negative goodwill arising on the acquisition of an associate is deducted from the carrying value of that associate. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

3. Significant accounting policies (continued)

Investments in subsidiaries

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

Investments 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, interest in associates is 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 the services are rendered.

Sales of investments in securities are recognised when the sales contract become unconditional.

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

Rental income, including rentals invoiced in advance from properties under operating leases, is recognised on a straight line basis over the respective leases.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance of the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, the balance of the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation and amortisation is provided on investment properties except where the unexpired term, including the renewal period, of the relevant lease is twenty years or less.

3. Significant accounting policies (continued)

Property, plant and equipment

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

Depreciation is provided to write off the costs of the property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight line method, at the following rates per annum:

Land held on long leases	Over the terms of the leases
Land held on medium term leases	2.5% or over the terms of the leases whichever is shorter
Buildings	2.5% or over the terms of the leases whichever is shorter
Leasehold improvement	10% or over the terms of the leases whichever is shorter
Furniture, fixture and equipment	10-20%
Plant and machinery	10%
Motor vehicles	20%

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.

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as assets owned by the Group.

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 and 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 losses that is other than temporary.

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

Club debenture

Club debenture is stated at cost less any identified impairment loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

3. Significant accounting policies (continued)

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible 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 losses are 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, but so 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 period. A reversal of an impairment loss is recognised as income immediately.

Leased assets

Assets held under finance leases are capitalised at their fair value at the date of acquisition. The corresponding liability to the lessor, net of interest changes, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the year of the relevant leases so as to produce a constant periodic rate of charge on the remaining balances of the obligations for each accounting year.

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

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's overseas operations which are denominated in currencies other than Hong Kong dollars are translated at exchange rates ruling on the balance sheet date. Income and expense are translated into Hong Kong dollars at the average exchange rates for the year. All exchange differences arising on consolidation are dealt with in reserves and are recognised as income or as expenses in the period in which the operation is disposed of.

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 the resulting 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.

Operating leases

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

Notes to the Financial Statements

For the year ended 30th June, 2002

3. Significant accounting policies (continued)

Retirement benefit scheme

The retirement benefit scheme contributions relating to the mandatory provident fund scheme charged to the income statement represent contributions payable to the schemes by the Group at rates specified in the rules of the schemes.

The amount of contributions payable to pension schemes in jurisdictions other than Hong Kong are charged to the income statement.

4. Turnover and segmental information

Turnover represents the net amounts received and receivable for the followings:

	2002 HK\$'000	2001 HK\$'000
Continuing operations:		
Manufacture and sales of electronic products	14,847	15,328
Provision of financial information services	4,209	5,102
Sales of health products	243	370
Others	376	–
	<u>19,675</u>	<u>20,800</u>
Discontinued operations:		
Manufacture and sales of food products	8,546	9,058
Provision of internet consultancy services	–	213
	<u>8,546</u>	<u>9,271</u>
	<u>28,221</u>	<u>30,071</u>

4. Turnover and segmental information (continued)

Business segments

For management purposes, the Group is currently organised into six operating divisions as detailed above. These divisions are the basis on which the Group reports its primary information.

An analysis of the Group's turnover and contributions to operating results and segmental assets and liabilities by business segments is as follows:

For the year ended 30th June, 2002

	Manufacture and sales of electronic products HK\$'000	Provision of financial information services HK\$'000	Manufacture and sales of food products (Note 1) HK\$'000	Sales of health products (Note 2) HK\$'000	Provision of internet consultancy services (Note 1) HK\$'000	Others HK\$'000	Consolidation HK\$'000
REVENUE	14,847	4,209	8,546	243	–	376	28,221
SEGMENT RESULT	(9,479)	(570)	(9,138)	(2,001)	(239)	(3,092)	(24,519)
Unallocated corporate expenses							(23,368)
Loss from operations							(47,887)
Finance costs							(1,637)
Gain attributable to investments							16,254
Loss before taxation							(33,270)
Taxation credit							117
Loss after taxation							(33,153)
Minority interests							2,147
Net loss for the year							(31,006)
Assets and Liabilities as at 30th June, 2002							
ASSETS							
Segment assets	16,125	1,246	–	527	–	591	18,489
Unallocated corporate assets							41,688
Consolidated total assets							60,177
LIABILITIES							
Segment liabilities	7,440	1,807	–	476	–	–	9,723
Unallocated corporate liabilities							24,614
Consolidated total liabilities							34,337
Other information:							
Capital additions	450	14	–	1	–	4,700	5,165
Depreciation and amortisation	695	192	1,041	80	239	1,773	4,020

Notes to the Financial Statements

For the year ended 30th June, 2002

4. Turnover and segmental information (continued)

Business segments (continued)

For the year ended 30th June, 2001

	Manufacture and sales of electronic products	Provision of financial information services	Manufacture and sales of food products (Note 1)	Sales of health products (Note 2)	Provision of internet consultancy services (Note 1)	Others	Consolidation
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE	15,328	5,102	9,058	370	213	-	30,071
SEGMENT RESULT	(2,518)	(1,470)	(6,192)	(958)	(3,406)	-	(14,544)
Unallocated corporate expenses							(52,463)
Loss from operations							(67,007)
Finance costs							(2,549)
Loss attributable to investments							(26,737)
Gain on waiver of obligations							8,069
Impairment loss recognised in respect of property, plant and equipment							(4,480)
Loss before taxation							(92,704)
Taxation charge							(251)
Loss after taxation							(92,955)
Minority interests							472
Net loss for the year							(92,483)
Assets and Liabilities as at 30th June, 2001							
ASSETS							
Segment assets	25,833	918	36,033	1,538	565	-	64,887
Unallocated corporate assets							20,011
Consolidated total assets							84,898
LIABILITIES							
Segment liabilities	11,151	3,459	7,791	70	4,155	-	26,626
Unallocated corporate liabilities							44,687
Consolidated total liabilities							71,313
Other information:							
Capital additions	300	202	6,572	654	697	779	9,204
Depreciation and amortisation	283	148	2,870	45	274	618	4,238
Impairment loss recognised	-	-	4,480	-	-	18,000	22,480

4. Turnover and segmental information (continued)

Business segments (continued)

Notes:

- (1) In June 2002, the Group disposed of its entire interests in Chung Hwa Food & Beverages Limited, Chung Hwa Food & Beverages Holdings Limited, Harbin Dongfang (Hong Kong) Food Company Limited, Harbin HDL (New Zealand) Limited, Xiamen Dongchen Food Industry Company Limited, Full Support Technology Limited and other subsidiaries, which were mainly engaged in the manufacture and sales of food products and provision of internet consultancy services. Upon the completion of the disposal, the business segments of manufacture and sales of food products and provision internet consultancy services were regarded as discontinued operations.
- (2) In August 2002, the Group disposed of its entire interest in Fu Yuk DNA Holistic Limited and other subsidiaries which were engaged in the sales of health products. Upon the completion of the disposal, the business segment of sales of health products will be regarded as discontinued operations.

Geographical segments

The following provides an analysis of the Group's turnover and contribution to loss from operations by geographical market, irrespective of the origin of the goods or services:

	Turnover		Contribution to loss from operations	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	11,841	16,075	(35,096)	(59,304)
People's Republic of China, excluding Hong Kong ("PRC")	11,627	12,041	(12,069)	(7,489)
Other Asian countries	4,753	1,955	(722)	(214)
	<u>28,221</u>	<u>30,071</u>	<u>(47,887)</u>	<u>(67,007)</u>

The following is an analysis of the carrying amount of segment assets, capital addition analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	49,356	48,865	1,930	2,632
PRC	10,821	36,033	3,235	6,572
	<u>60,177</u>	<u>84,898</u>	<u>5,165</u>	<u>9,204</u>

Notes to the Financial Statements

For the year ended 30th June, 2002

5. Loss attributable to properties

	2002 HK\$'000	2001 HK\$'000
Deficit on revaluation of investment properties	(250)	(320)
Loss on disposal of investment properties	–	(400)
	<u>(250)</u>	<u>(720)</u>

6. Loss from operations

	2002 HK\$'000	2001 HK\$'000
Loss from operations has been arrived at after charging:		
Staff costs:		
Directors' remuneration (note 8)	11,774	27,530
Other staff costs	12,375	13,501
Pension scheme contributions	317	329
Total staff costs	<u>24,446</u>	<u>41,360</u>
Auditors' remuneration:		
Current year	1,085	1,100
Overprovision in prior year	(20)	–
	<u>1,065</u>	<u>1,100</u>
Depreciation and amortisation		
Owned assets	3,999	4,238
Assets held under finance leases	21	–
Loss on disposal of property, plant and equipment	2,325	2,342
and after crediting:		
Interest income	115	903
Rental income from properties under operating leases, net of negligible outgoings (2001: outgoings of HK\$10,000)	<u>156</u>	<u>533</u>

7. Finance costs

	2002 HK\$'000	2001 HK\$'000
Interest on:		
Bank and other borrowings wholly repayable within five years	1,325	2,462
Convertible notes	306	87
Finance leases	6	–
	<u>1,637</u>	<u>2,549</u>

8. Directors' remuneration

	2002 HK\$'000	2001 HK\$'000
Directors' fees:		
Executive	–	–
Non-executive	–	–
Independent non-executive	–	–
Other emoluments		
Executive		
Salaries and other benefits	7,597	11,828
Discretionary bonus	2,354	14,936
Contributions to retirement benefit scheme	23	28
Compensation for loss of office	1,800	551
Independent non-executive	–	187
	<u>11,774</u>	<u>27,530</u>

The number of directors whose remuneration fall within the bands set out below is as follows:

	No. of directors	
	2002	2001
Nil to HK\$1,000,000	9	9
HK\$1,000,001 to HK\$1,500,000	–	1
HK\$1,500,001 to HK\$2,000,000	2	–
HK\$2,000,001 to HK\$2,500,000	1	1
HK\$3,500,001 to HK\$4,000,000	–	2
HK\$5,000,001 to HK\$5,500,000	1	–
HK\$15,000,001 to HK\$15,500,000	–	1

The five highest paid individuals of the Group for the year ended 30th June, 2002 and 30th June, 2001 were all directors of the Company and details of their emoluments are set out above.

During the year, amounts of HK\$1,800,000 (2001: HK\$551,000) was paid to two directors as compensation for loss of office. Other than that, no emoluments were paid by the Group to any of the directors as an inducement to join the Group or as compensation for loss of office.

Notes to the Financial Statements

For the year ended 30th June, 2002

9. Gain (loss) attributable to investments

	2002 HK\$'000	2001 HK\$'000
Gain on disposal/dilution of subsidiaries	26,340	7,316
Goodwill previously credited to (written off against) reserves	9,052	(568)
Net gain on disposal/dilution of subsidiaries (a)	35,392	6,748
(Loss) gain on disposal of investments in securities	(579)	156
Unrealised loss in investments in securities	–	(2,008)
Provision for payments made in connection with investment projects (b)	(19,559)	(13,633)
Reversal of provision for payments made in connection with investment projects (c)	1,000	–
Impairment loss recognised in respect of goodwill (d)	–	(18,000)
	<u>16,254</u>	<u>(26,737)</u>

- (a) The gain on disposal of subsidiaries during the year represented the gain on disposal of the Group's entire interest in certain subsidiaries engaged in the manufacture and sales of food products of HK\$31,747,000 and a subsidiary engaged in provision of internet consultancy services of HK\$3,645,000.

For the year ended 30th June, 2001, the net gain on disposal/dilution of subsidiaries comprised (i) the gain on disposal of the Group's entire interest in Vincent Honour Limited of HK\$7,468,000; and (ii) the net loss on dilution of the Group's interest in Thinking Group Holdings Limited of HK\$720,000.

- (b) (i) The Group entered into agreement ("Cooperation Agreement") with a third party (the "Partner") in which both parties agreed to invest in a company ("Joint Venture") which is mainly engaged in the research, development and marketing of Chinese character input software and Chinese language technology. The Group was required to inject an amount of US\$3,000,000 (equivalent to approximately HK\$23,400,000) in return for 25% equity interest in the Joint Venture within a specified period of time. As at 30th June, 2001, the Group had injected the amount of HK\$14,586,000. During the year, the Group made a further fund injection of RMB1,000,000 (equivalent to approximately HK\$973,000) to the Joint Venture. Following an assessment of the business prospects of the Joint Venture and existing market conditions by the directors during the year, a full provision of HK\$15,559,000 was made in the financial statements.
- (ii) During the year, the Group entered into an agreement with a third party to invest in a company which is engaged in the development of the logistic network in the PRC. Following an assessment of its business prospects by the directors during the year, a full provision of HK\$4,000,000 was made in the financial statements.
- (iii) For the year ended 30th June, 2001, the Group entered into an agreement ("Acquisition Agreement") with a third party to acquire a 25% equity interest in a company which operates a website for provision of trade information in the PRC. A payment of HK\$13,000,000 was made by the Group for such investment. As the transfer of equity interest has not been completed, and following an assessment of business prospects of the web site, the Group entered into agreement to terminate the Acquisition Agreement and the payment made, which was accordingly treated as deposit and prepayment, will be refunded to the Group. A provision of HK\$9,500,000 was made in the financial statements for the year ended 30th June, 2001 in view of the uncertainty on the recoverability of the outstanding amount.

9. Gain (loss) attributable to investments (continued)

- (iv) For the year ended 30th June, 2001, the Group entered into agreement with two other third parties to establish an internet based business to business trading platform for online trading of sugar and wine in the PRC. An initial payment of HK\$4,133,000 was made for this investment project. Due to changes in market conditions, the investment project was temporarily suspended and a provision of HK\$4,133,000 was in the financial statements for the year ended 30th June, 2001 accordingly made against the initial payment.
- (c) In respect of the payments made in connection with investment projects in (b)(iii), the provision of HK\$1,000,000 was written back as the Group recovered this amount during the year.
- (d) For the year ended 30th June, 2001, the amount represented an impairment loss recognised in respect of all of the goodwill relating to the acquisition of the entire interest in Cheung On Consultants Limited and 20% interest in Coriolan Limited.

10. Gain on waiver of obligations

The amount represented the waiver of the Group's outstanding obligations to certain creditors.

11. Impairment loss recognised in respect of property, plant and equipment

The amount represented the impairment loss recognised in respect of property, plant and equipment of certain subsidiaries in the PRC following a rationalisation of the Group's business. With reference to the sale and purchase agreement for the disposal of those items of property, plant and equipment subsequent to 30th June, 2001.

12. Taxation credit (charge)

The taxation credit (charge) represents over(under)provision of Hong Kong Profits Tax in prior year.

No provision for taxation has been made in the financial statements as the Group had incurred tax loss for the year.

Details of unrecognised deferred taxation are set out in note 28.

13. Loss per share

The calculation of the basic loss per share is based on the net loss for the year of HK\$31,006,000 (2001: net loss of HK\$92,483,000) and on the weighted average number of 1,392,643,841 (2001: weighted average number of 365,206,874) ordinary shares in issue during the year, after adjustment for the effect of the consolidation of the Company's shares as set out in note 24.

No diluted loss per share has been presented for the current year as the exercise of the share options and conversion of the convertible notes would result in a decrease in the loss per share.

Notes to the Financial Statements

For the year ended 30th June, 2002

14. Investment properties

	THE GROUP HK\$'000
AT VALUATION	
At 1st July, 2001	2,220
Deficit arising on revaluation (note 5)	(250)
At 30th June, 2002	<u>1,970</u>

The Group's investment properties held under long term leases in Hong Kong and were revalued at 30th June, 2002 by B.I. Appraisals Limited, an independent firm of professional property valuers, on an open market value basis. The deficit arising on revaluation has been charged to the consolidated income statement.

The Group's investment properties were vacant during the year.

15. Property, plant and equipment

	Leasehold land and buildings HK\$'000	Leasehold improvement HK\$'000	Furniture, fixtures and equipment HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
THE GROUP COST						
At 1st July, 2001	16,717	15,566	11,889	35,299	1,456	80,927
Additions	–	850	563	3,047	705	5,165
Disposals	(4,387)	(2,077)	(521)	(5,860)	(495)	(13,340)
On disposal of subsidiaries	(5,732)	(12,882)	(3,907)	(24,153)	(286)	(46,960)
At 30th June, 2002	<u>6,598</u>	<u>1,457</u>	<u>8,024</u>	<u>8,333</u>	<u>1,380</u>	<u>25,792</u>
DEPRECIATION AND AMORTISATION						
At 1st July, 2001	7,870	13,886	4,976	28,105	806	55,643
Provided for the year	528	854	1,738	831	69	4,020
Eliminated on disposals	(259)	(936)	(71)	(1,923)	(27)	(3,216)
Eliminated on disposal of subsidiaries	(5,732)	(12,882)	(3,907)	(21,947)	(286)	(44,754)
At 30th June, 2002	<u>2,407</u>	<u>922</u>	<u>2,736</u>	<u>5,066</u>	<u>562</u>	<u>11,693</u>
NET BOOK VALUES						
At 30th June, 2002	<u>4,191</u>	<u>535</u>	<u>5,288</u>	<u>3,267</u>	<u>818</u>	<u>14,099</u>
At 30th June, 2001	<u>8,847</u>	<u>1,680</u>	<u>6,913</u>	<u>7,194</u>	<u>650</u>	<u>25,284</u>

At 30th June, 2002, the net book value of motor vehicles of HK\$818,000 includes an amount of HK\$296,000 (2001: nil) in respect of assets held under a finance lease.

15. Property, plant and equipment (continued)

The net book value of properties of the Group shown above comprises leasehold properties held in the PRC under medium-term leases.

	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
THE COMPANY			
COST			
At 1st July, 2001	4,117	123	4,240
Additions	364	–	364
Disposals	(109)	(123)	(232)
At 30th June, 2002	<u>4,372</u>	<u>–</u>	<u>4,372</u>
DEPRECIATION			
At 1st July, 2001	322	10	332
Provided for the year	814	17	831
Eliminated on disposals	(28)	(27)	(55)
At 30th June, 2002	<u>1,108</u>	<u>–</u>	<u>1,108</u>
NET BOOK VALUES			
At 30th June, 2002	<u>3,264</u>	<u>–</u>	<u>3,264</u>
At 30th June, 2001	<u>3,795</u>	<u>113</u>	<u>3,908</u>

16. Interests in subsidiaries

	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost less provision	2,000	2,000
Amounts due from subsidiaries	148,234	164,939
Less: Impairment loss recognised	(145,278)	(160,832)
	<u>4,956</u>	<u>6,107</u>
Amounts due to subsidiaries	<u>(4,811)</u>	<u>–</u>

The amounts due from (to) subsidiaries are unsecured, non-interest bearing and have no fixed repayment terms. In the opinion of the directors, the amounts are unlikely to be repaid within one year from the balance sheet date and are therefore classified as non-current.

During the year, management of the Company reviewed the carrying value of the investment costs in and amounts due from subsidiaries with reference to the business operated by these subsidiaries and in view of the current economic condition, impairment loss of HK\$39,792,000 has been identified and recognised in the Company's income statement.

Notes to the Financial Statements

For the year ended 30th June, 2002

16. Interests in subsidiaries (continued)

Details of the principal subsidiaries as at 30th June, 2002 are as follows:

Name	Place of incorporation/ registration and operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital held by the Company		Principal activities
			Directly	Indirectly	
Cheung On Consultants Limited	British Virgin Islands ("BVI")	US\$100	–	100%	Investment holding
China Eastern Investment Limited	BVI	US\$1	–	100%	Investment holding
Cosmos Wealth Investment Limited	Hong Kong	HK\$2	–	100%	Property holding
Fu Yuk DNA Holistic Limited	Hong Kong	HK\$2	–	100%	Trading of health products
High Stone Assets Limited ("High Stone")	BVI	US\$1	–	100%	Investment holding
iTech Investments Inc. ("iTech")	BVI	US\$10	–	80%	Investment holding
Rich City Investments Limited	Hong Kong	HK\$2	100%	–	Investment holding
Six Forest Bio-Science Holdings Limited	BVI	US\$1	100%	–	Investment holding
Star Cyber DNA Limited	Hong Kong	HK\$2	–	100%	Development of e-business security
Star Cyberpower Limited	BVI	US\$1	100%	–	Investment holding
Star Cyberpower Management Limited	Hong Kong	HK\$10,000	100%	–	Provision of management services
Star Cyberpower V.F. Limited	BVI	US\$1	100%	–	Investment holding
Special Gold Assets Limited	BVI	HK\$3,900,000	–	100%	Investment holding
Starstruck Group Limited ("Starstruck")	BVI	US\$1	–	100%	Investment holding

16. Interests in subsidiaries (continued)

Name	Place of incorporation/ registration and operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital held by the Company		Principal activities
			Directly	Indirectly	
Star Internet Financial Information Services Limited	Hong Kong	HK\$200	–	100%	Provision of financial information services
Star Paging Telecom Technology (Shenzhen) Company Limited	PRC	HK\$15,000,000	–	80%	Manufacture and sale of financial papers
Thinking Group Limited	Hong Kong	HK\$3,708,235	–	70%	Trading of electronic products
Thinking Group Holdings Limited	BVI	HK\$4,500,000	–	100%	Investment holding

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 and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excess length.

None of the subsidiaries of the Group had any debt securities outstanding at the balance sheet date or at any time during the year.

17. Interest in an associate

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Share of net assets	–	–

As at 30th June, 2002 are as follows:

Name of company	Place of incorporation	Proportion of nominal value of issued share capital held by the Group	Principal activity
Coriolan Limited	BVI	20%	Investment holding

Notes to the Financial Statements

For the year ended 30th June, 2002

18. Investments in securities

	OTHER INVESTMENTS THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Equity securities in Hong Kong:		
Listed	71	3,141
Unlisted	–	4,000
	<u>71</u>	<u>7,141</u>
Club debenture	150	150
	<u>221</u>	<u>7,291</u>
Classified as		
Current	71	3,141
Non-current	150	4,150
	<u>221</u>	<u>7,291</u>
Market value of listed securities	<u>71</u>	<u>3,141</u>

The Group through Chung Hwa Food & Beverages Limited ("CHFBL") held 75% interest in Nanchang Pepsi Cola Beverage Co. Ltd ("Nanchang Pepsi") which was established in the PRC and was engaged in bottling of beverages. The Group did not have control or significant influence over Nanchang Pepsi as there were restrictions imposed on the Group's ability to appoint directors into the board of directors of Nanchang Pepsi. The investment in Nanchang Pepsi was fully impaired in prior year.

During the year, the interest in CHFBL held by the Group was disposed of to a third party together with other subsidiaries.

19. Inventories – at cost

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Raw materials	2,556	2,380
Work in progress	319	714
Finished goods	4,135	4,685
	<u>7,010</u>	<u>7,779</u>

20. Debtors, deposits and prepayments

The Group allows an average credit period of 60 days to its trade customers. Included in debtors, deposits and prepayments are trade debtors with the following aged analysis:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
0-60 days	1,330	3,553
61-90 days	106	–
Over 90 days	424	–
	<u>1,860</u>	<u>3,553</u>
Other debtors, deposits and prepayments	28,940	25,176
	<u>30,800</u>	<u>28,729</u>

Included in other debtors, deposits and prepayments is the amount of HK\$20,000,000 deposited with Kingston Securities Limited which bears interest at the prevailing market rate.

21. Creditors and accrued charges

Included in creditors and accrued charges are trade creditors with the following aged analysis:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
0-60 days	2,861	4,325
61-90 days	238	430
Over 90 days	1,938	3,923
	<u>5,037</u>	<u>8,678</u>
Accrued charges	15,224	33,685
	<u>20,261</u>	<u>42,363</u>

22. Loan

The loan was granted by a minority shareholder of a subsidiary of CHFBL in previous year. The loan was unsecured, bore interest at 8% per annum and the holder of the loan had the right on the repayment date to convert the loan into ordinary shares of that subsidiary. The convertible loan was due for repayment at 30th June, 2001 and no conversion rights had been exercised. During the year, the interest in CHIBL held by the Group was disposed of to a third party.

Notes to the Financial Statements

For the year ended 30th June, 2002

23. Obligation under a finance lease

	Minimum lease payments		Present value of minimum lease payments	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Amounts payable under a finance lease:				
Within one year	115	–	106	–
In the second to fifth years inclusive	164	–	150	–
	<u>279</u>	<u>–</u>	<u>256</u>	<u>–</u>
Less: future finance charges	23	–		
Present value of lease obligation	<u>256</u>	<u>–</u>		
Less: Amount due within one year shown under current liabilities			(106)	–
Amount due after one year			<u>150</u>	<u>–</u>

It is the Group's policy to lease certain of its motor vehicles under a finance lease.

The lease term is 3 years and the average effective borrowing rate was 3% per annum. The lease is on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The Group's obligation under finance lease is secured by the lessor's charge over the leased assets.

24. Share capital

	Number of shares HK\$'000	Value
Authorised		
Ordinary shares of HK\$0.01 each at 1st July, 2000, 30th June, 2001 and 30th June, 2002	<u>60,000,000,000</u>	<u>600,000</u>
Issued and fully paid		
Ordinary shares of HK\$0.01 each at 1st July, 2000	12,980,167,739	129,802
Issue of new shares of HK\$0.01 each	2,643,425,890	13,834
Conversion of convertible notes	2,500,000,000	25,000
Exercise of share options	<u>1,336,033,547</u>	<u>25,960</u>
Ordinary shares of HK\$0.01 each at 1st July, 2001	19,459,627,176	194,596
Share consolidation	(19,095,011,497)	–
Adjustment of nominal value	–	(190,950)
Issue of new shares of HK\$0.01 each	4,500,000,000	45,000
Conversion of convertible notes	<u>233,718,486</u>	<u>2,337</u>
Ordinary shares of HK\$0.01 each at 30th June, 2002	<u>5,098,334,165</u>	<u>50,983</u>

The movements in the ordinary share capital for the year ended 30th June, 2001 were as follows:

- (a) Pursuant to a resolution passed at a special general meeting of the Company on 12th June, 2000, 33,425,890 shares of HK\$0.01 each were issued and allotted to a creditor at HK\$0.01 per share as part of the consideration to discharge in full all the obligations of the Group pursuant to the Group's financial restructuring.
- (b) 150,000,000 shares of HK\$0.01 each were issued and allotted to Millennium Group Limited at HK\$0.04 per share, representing a discount of approximately 7% on the closing price of HK\$0.043 per share on 14th July, 2000, under a private share placement.
- (c) 1,200,000,000 shares of HK\$0.01 each were issued and allotted to institutional investors at HK\$0.018 per share, representing a discount of approximately 33.3% on the closing price of HK\$0.027 per share on 1st November, 2000 under a private share placement.

Both shares mentioned in (b) and (c) were issued under the general mandate granted to the directors on 30th June, 2000.

- (d) 1,260,000,000 shares of HK\$0.01 each were issued and allotted to Wong Kam Fu, Nelson to satisfy the partial consideration for the acquisition of 80% interest in iTech.

The issue price of HK\$0.01 per share was same as the closing price of HK\$0.01 per share on 22nd February, 2001 and the shares were issued under the general mandate granted to the directors on 15th December, 2000.

Notes to the Financial Statements

For the year ended 30th June, 2002

24. Share capital (continued)

- (e) 1,600,000,000 shares and 900,000,000 shares of HK\$0.01 each were issued and allotted to Gain Master Assets Limited ("Gain Master") and Direct Gain Profits Limited ("Direct Gain") at HK\$0.018 and HK\$0.01 per share, respectively, as a result of the conversion of convertible notes issued to these two parties.
- (f) As a result of the exercise of share options, 1,336,033,547 shares of HK\$0.01 each were issued and allotted to Wong Kam Fu, Nelson.

The movements in the ordinary share capital for the year ended 30th June, 2002 are as follows:

- (a) Pursuant to resolutions passed at a special general meeting of the Company on 19th April, 2002, 2,000,000,000 and 2,500,000,000 shares of HK\$0.01 each were issued and allotted to Sheung Hai Developments Limited and Win Channel Investments Limited, respectively at HK\$0.01 per share.
- (b) 108,718,487 shares and 125,000,000 shares of HK\$0.01 each were issued and allotted to Direct Gain at HK\$0.0952 per share, respectively, as a result of the conversion of convertible notes.
- (c) Pursuant to resolutions passed at a special general meeting of the Company on 28th November, 2001, the Group's financial restructuring was carried out and completed on 28th November, 2001, which involved the restructuring of the share capital:
- Every 40 issued shares of HK\$0.01 each in the capital of the Company was consolidated into one new share of HK\$0.4 each.
 - The par value of the issued shares was then reduced from HK\$0.4 each to HK\$0.01 each.

All the shares issued during the year rank pari passu in all respects with the then existing shares.

25. Share option scheme

At 30th June, 2002, the outstanding options to subscribe for shares under the Company's share option scheme are as follows:

Exercisable period	Exercise price per share HK\$	Number of share, subject to options
21.2.2001 – 5.3.2003*	1.5368	6,100,000
30.4.2001 – 27.5.2003*	0.652	3,675,000
7.5.2001 – 6.5.2003	0.672	3,200,000
18.11.2001 – 17.11.2003	0.4	7,500,000
2.8.2001 – 1.8.2004	0.4	3,275,000
1.9.2001 – 31.8.2004	0.4	100,000
		<hr/> <hr/>
		23,850,000

The amount of consideration received by the Company for options granted during the year is not material.

* The exercisable periods for the share options granted to employees are longer than those granted to directors/former directors as certain grantee of the options accepted the options on different dates.

26. Reserves

	Share premium HK\$'000	Contributed surplus HK\$'000 (Note a)	Capital reserve HK\$'000 (Note b)	Goodwill reserve HK\$'000	Deficit HK\$'000	Total HK\$'000
THE GROUP						
At 1st April, 2000	159,451	–	1,700	9,052	(267,092)	(96,889)
Premium on issue of shares	26,900	–	–	–	–	26,900
Share issue expenses	(1,447)	–	–	–	–	(1,447)
Arising on acquisition of subsidiaries and associates	–	–	–	(41,539)	–	(41,539)
Impairment loss recognised	–	–	–	18,000	–	18,000
Realised on dilution of interest in subsidiaries	–	–	–	568	–	568
Net loss for the year	–	–	–	–	(92,483)	(92,483)
At 30th June, 2001	184,904	–	1,700	(13,919)	(359,575)	(186,890)
Premium on issue of shares	9,263	–	–	–	–	9,263
Effect of share reduction	–	–	–	–	190,950	190,950
Realised on disposal of subsidiaries	–	–	–	(9,052)	–	(9,052)
Net loss for the year	–	–	–	–	(31,006)	(31,006)
At 30th June, 2002	194,167	–	1,700	(22,971)	(199,631)	(26,735)
	Share premium HK\$'000	Contributed surplus HK\$'000 (Note a)	Capital reserve HK\$'000 (Note b)	Goodwill reserve HK\$'000	Deficit HK\$'000	Total HK\$'000
THE COMPANY						
At 1st April, 2000	159,451	93,289	–	–	(338,156)	(85,416)
Premium on issue of shares	26,900	–	–	–	–	26,900
Share issue expenses	(1,447)	–	–	–	–	(1,447)
Net loss for the year	–	–	–	–	(142,032)	(142,032)
At 30th June, 2001	184,904	93,289	–	–	(480,188)	(201,995)
Premium on issue of shares	9,263	–	–	–	–	9,263
Transfer pursuant to share consolidation	–	–	–	–	190,950	190,950
Net loss for the year	–	–	–	–	(58,842)	(58,842)
At 30th June, 2002	194,167	93,289	–	–	(348,080)	(60,624)

Notes to the Financial Statements

For the year ended 30th June, 2002

26. Reserves (continued)

Notes:

- (a) The contributed surplus of the Company includes (i) the difference between the consolidated shareholders' funds of the subsidiaries at the date at which they were acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 1994 and; (ii) the surplus arising from the group reorganisation in 1998.
- (b) The capital reserve of the Group represents the difference between the nominal amount of shares issued by the Company and the aggregate nominal amount of the issued share capital of subsidiaries acquired at the time of the group reorganisation prior to the listing of the Company's shares in 1994.

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) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its 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, no reserves are available for distribution to shareholders at 30th June, 2002 and 30th June, 2001.

27. Convertible note

	THE GROUP AND THE COMPANY	
	2002	2001
	HK\$'000	HK\$'000
Gain Master (a)	13,800	28,800
Less: Conversion into 1,600,000,000 shares of HK\$0.01 each	–	(28,800)
	<u>13,800</u>	<u>–</u>
Direct Gain (b)	11,600	13,800
Less: Conversion into 900,000,000 shares of HK\$0.01 each	–	(9,000)
Conversion into 125,000,000 shares of HK\$0.01 each	(1,250)	–
Conversion into 108,718,486 shares of HK\$0.0952 each	(10,350)	–
	<u>–</u>	<u>4,800</u>
	<u>13,800</u>	<u>4,800</u>

27. Convertible note (continued)

- (a) The Company issued a convertible note in the amount of HK\$13,800,000 to Gain Master. The convertible note bears interest at the higher of (i) the difference between the prime lending rate of the business day immediately before any date of interest payment quoted by the Hongkong and Shanghai Banking Corporation Limited and 2%; and (ii) 2% per annum and is redeemable on 12th June, 2004 unless previously converted or cancelled. The holder of the convertible note has the option to convert the convertible note into ordinary shares of the Company, subject to adjustment, at any time during the period from 13th June, 2001 to 12th June, 2004.
- (b) The Company issued a convertible note in the amount of HK\$6,800,000 to Direct Gain. The convertible note bears interest at the higher of (i) the difference between the prime lending rate of the business day immediately before any date of interest payment quoted by the Hongkong and Shanghai Banking Corporation Limited and 3%; and (ii) 2% per annum and is redeemable on 4th July, 2004 unless previously converted or cancelled. The holder of the convertible note has the option to convert the convertible note into ordinary shares of the Company, subject to adjustment, at any time during the period from 5th July, 2001 to 4th July, 2004.

During the year, the holder of the convertible note exercised the option to convert all the convertible notes into 108,718,486 shares and 125,000,000 shares of HK\$0.01 each at a price of HK\$0.0952 and HK\$0.01 per share respectively.

28. Deferred taxation

At the balance sheet date, the net potential deferred tax asset, not recognised in the balance sheet, is analysed as follows:

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Tax effect of timing differences attributable to:				
Excess of tax allowances over depreciation	(799)	(821)	(481)	(605)
Tax losses unutilised	46,604	61,658	17,901	15,707
	<u>45,805</u>	<u>60,837</u>	<u>17,420</u>	<u>15,102</u>

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

Notes to the Financial Statements

For the year ended 30th June, 2002

28. Deferred taxation (continued)

The net potential deferred tax credit (charge) arising during the year, which has not been recognised in the income statement, is as follows:

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Tax effect of timing differences attributable to:				
(Excess) shortfall of tax allowance over depreciation	22	(786)	124	(563)
Tax losses arising	5,162	8,536	2,194	7,146
	<u>5,184</u>	<u>7,750</u>	<u>2,318</u>	<u>6,583</u>

29. Reconciliation of loss before taxation to net cash used in operating activities

	2002 HK\$'000	2001 HK\$'000
Loss before taxation	(33,270)	(92,704)
Adjustments for:		
Interest income	(115)	(903)
Interest expenses	1,631	2,549
Finance lease charges	6	–
Depreciation and amortisation	4,020	4,238
Loss on disposal of property, plant and equipment	2,325	2,342
Loss attributable to properties	250	720
Gain on waiver of obligation	–	(8,069)
Impairment recognised in respect of property, plant and equipment	–	4,480
(Gain) loss attributable to investments	(16,254)	26,737
Operating loss before working capital changes	(41,407)	(60,610)
Decrease in inventories	439	600
Increase in debtors, deposits and prepayments	(19,912)	(10,463)
Decrease in creditors and accrued charges	(3,336)	(109)
Cash used in operating activities	<u>(64,216)</u>	<u>(70,582)</u>

30. Purchase of subsidiaries

	2002 HK\$'000	2001 HK\$'000
Net assets acquired:		
Property, plant and equipment	–	10,505
Inventories	–	7,279
Debtors, deposits and prepayments	–	6,833
Taxation receivable	–	617
Bank balances and cash	–	9,387
Creditors and accrued charges	–	(18,551)
Minority interest	–	(4,059)
	<u>–</u>	<u>12,011</u>
Goodwill arising on acquisition of subsidiaries	–	32,539
	<u>–</u>	<u>44,550</u>
Satisfied by:		
Issue of shares	–	12,600
Cash	–	31,950
	<u>–</u>	<u>44,550</u>
Analysis of the net outflow of cash and cash equivalents in connection with the purchase of subsidiaries:		
Cash consideration paid	–	(31,950)
Bank balances acquired	–	9,387
	<u>–</u>	<u>(22,563)</u>

Notes to the Financial Statements

For the year ended 30th June, 2002

31. Disposal of subsidiaries

	2002 HK\$'000	2001 HK\$'000
Net assets disposed of:		
Bank balances and cash	1,675	11
Property, plant and equipment	2,206	–
Inventories	330	–
Debtors, deposits and prepayment	3,255	–
Loan	(12,500)	–
Creditors and accrued charges	(18,766)	(7,479)
Minority interests	(2,140)	–
	<u>(25,940)</u>	<u>(7,468)</u>
Goodwill realised on disposal of subsidiaries	(9,052)	–
Gain on disposal of subsidiaries	<u>35,392</u>	<u>7,468</u>
Consideration	<u>400</u>	<u>–</u>
Analysis of the net outflow of cash and cash equivalents in connection with the disposal of subsidiaries:		
Cash consideration received	400	–
Bank balances and cash disposed of	<u>(1,675)</u>	<u>(11)</u>
	<u>(1,275)</u>	<u>(11)</u>

The subsidiaries disposed of during the year contributed cash outflow of HK\$2,952,000 to the Group's net cash used in operating activities and paid HK\$1,000,000 in respect of investing activities.

The subsidiaries disposed of during the year contributed HK\$8,546,000 to the Group's turnover, and HK\$9,354,000 to the Group's loss from operations.

The subsidiaries disposed of for the year ended 30th June, 2001 did not have material contribution to the net cash flows and results of the Group.

32. Major non-cash transactions

During the year ended 30th June, 2002, the Group has the following major non-cash transaction:

- (i) The Group entered into a finance lease arrangement in respect of assets with a total capital value at the inception of the lease of HK\$317,000.
- (ii) Convertible notes of HK\$11,600,000 were converted into 108,718,486 and 125,000,000 shares of the Company at conversion prices of HK\$0.0952 and HK\$0.01 per share, respectively.

During the year ended 30th June, 2001, the Group had the following major non-cash transactions:

- (i) The acquisition of interest in a subsidiary was partially satisfied by the issue of 1,260,000,000 shares of HK\$0.01 each.
- (ii) Obligations to a creditor of approximately HK\$334,000 were settled by the issue of the 33,425,890 shares of HK\$0.01 each.

33. Operating lease commitments

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Minimum lease payments paid under operating leases in respect of rented premises	<u>4,584</u>	<u>8,424</u>

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

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Within one year	1,029	4,914
In the second to fifth year inclusive	562	8,143
Over five years	–	22
	<u>1,591</u>	<u>13,079</u>

Operating lease payments rentals payable by the Group for certain of its office premises. Leases are negotiated for an average term of two years.

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

Notes to the Financial Statements

For the year ended 30th June, 2002

34. Capital commitments

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Capital expenditure contracted for but not provided in the financial statements relating to acquisition of property, plant and equipment	—	108	—	—

35. Retirement benefits scheme

The Group participate in a pension scheme, which was registered under the Mandatory Provident Fund Schemes Ordinance (the "MPF Ordinance"), for all its employees in Hong Kong. The scheme is a defined contribution scheme effective from December 2000 and is funded by contributions from employer and employees according to the provisions of the MPF Ordinance. During the year under review, the total amount contributed by the Group to the scheme and charged to the income statement was insignificant and no contributions were forfeited.

The employees in the subsidiaries in the PRC are members of the state-sponsored pension scheme operated by the government in the PRC. The subsidiaries in the PRC are required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions under the scheme.

36. Pledge of assets

At 30th June, 2001, the Group had pledged one of its investment properties with a carrying value of HK\$610,000 to secure general banking facilities granted to the Group.

During the year, the pledge was released and the Group has no pledge of assets as at 30th June, 2002.

37. Post balance sheet events

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

- (a) As announced on 11th July, 2002, the Company entered into a share subscription agreement on 10th July, 2002 to subscribe for 422,222 new preference shares of US\$0.001 each of W-Phone, Inc ("W-Phone") to be satisfied by the Company's issue of 38,000,000 shares to W-Phone, credited as fully paid at the issue price of HK\$0.13 per share.

According to this share subscription agreement, W-Phone granted the option to the Company to require W-Phone to issue 2,244,445 preferences shares of US\$0.001 to the Company. The consideration for the acquisition is US\$3,366,668.5 to be satisfied by the issue of new shares in the Company at HK\$0.13 per share.

37. Post balance sheet events (continued)

- (b) On 31st August, 2002, the Company entered into a sale and purchase agreement to dispose of its entire interest in Fu Yuk DNA Holistic Company Limited and other subsidiaries which are engaged in the sales of health products, to an independent third party at a consideration of HK\$100,000. On 22nd October, 2002, the Company through a wholly-owned subsidiary entered into a sale & purchase agreement to dispose of its entire interest in China Growth Enterprise Limited for a consideration of approximately HK\$1,180,000. In the opinion of the directors, the financial impact of these disposals are insignificant to the Group.
- (c) As announced on 3rd October, 2002, the Company entered into a share subscription agreement with Ming Yuen Assets Limited ("Ming Yuen") on 26th September, 2002 whereby Ming Yuen agreed to issue and the Company agreed to subscribe a 30% equity interest in Ming Yuen for a consideration of HK\$30 million satisfied by the issue of a promissory note by the Company with a maturity date on the date falling within 18 months from the date of completion. Up to the date of this report, this transaction has not yet been completed.

38. Related party transactions

During the year, the Group has no significant transactions with the related parties.

For the year ended 30th June, 2001, the Group had the following transactions with the related parties:

- (a) The Group acquired the entire interest in Starstruck at a consideration of HK\$950,000.
- (b) The group acquired 80% interest in iTech and 100% interest in High Stone at an aggregate consideration of HK\$19,600,000, Wong Kam Fu, Nelson, the director of the Company, held the entire interest in Starstruck, iTech and High Stone.

Details of balances with related parties as at the balance sheet date are set out in the consolidated balance sheet and in notes 16 and 22.

Save as disclosed above, there were no other significant transactions with related parties during the year or significant balances with them at the end of the year.