

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31ST DECEMBER, 2002

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Statement of Standard Accounting Practice 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30th June, 2002, except as described below.

In the current period, 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. The adoption of these new and revised SSAPs has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity, but has had no significant effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

3. SEGMENT INFORMATION

For management purposes, the Group is currently organised into two operating divisions, namely trading of telephones and computer related products. These divisions are the basis on which the Group reports its primary segment information.

Six months ended 31st December, 2002

	Trading of telephones <i>HK\$'000</i>	Trading of computer related products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER			
External sales	<u>1,660</u>	<u>41,396</u>	<u>43,056</u>
SEGMENT RESULT	<u>(615)</u>	<u>(524)</u>	(1,139)
Other operating income			103
Unallocated corporate expenses			(726)
Finance costs			<u>(25)</u>
Loss before taxation			<u>(1,787)</u>

3. SEGMENT INFORMATION (Continued)**Six months ended 31st December, 2001**

	Trading of telephones <i>HK\$'000</i>	Trading of computer related products <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER				
External sales	9,914	4,525	–	14,439
Inter-segment sales	<u>792</u>	<u>–</u>	<u>(792)</u>	<u>–</u>
Total	<u>10,706</u>	<u>4,525</u>	<u>(792)</u>	<u>14,439</u>
SEGMENT RESULT	<u>(471)</u>	<u>73</u>	<u>(792)</u>	(1,190)
Other operating income				61
Unallocated corporate expenses				(3,520)
Finance costs				<u>(9)</u>
Loss before taxation				<u>(4,658)</u>

4. LOSS FROM OPERATIONS

Six months ended
31.12.2002 **31.12.2001**
HK\$'000 *HK\$'000*

Loss from operations has been arrived at after charging:

Depreciation of property, plant and equipment	299	360
Loss on disposal of property, plant and equipment	78	–

and after crediting:

Bank interest income	<u>35</u>	<u>61</u>
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5. TAXATION

The tax charge for the period represents PRC income tax provision of the Group's subsidiary calculated at the applicable rate prevailing.

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group's operations in Hong Kong incurred a tax loss for the period.

6. DIVIDEND

No dividends were paid during the period. The directors do not recommend the payment of any interim dividend.

7. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the period of approximately HK\$1,818,000 (six months ended 31st December, 2001: HK\$4,658,000) and on the weighted average of 816,233,533 (six months ended 31st December, 2001: on 664,018,995) shares in issue throughout the period.

No diluted loss per share is presented because the exercise price of the Company's share options is higher than the average fair value per share for the current period. No diluted loss per share is presented for the period ended 31st December, 2001 as the computation of diluted loss per share has not assumed the exercise of outstanding share options since their exercise would reduce the loss per share.

8. TRADE AND OTHER RECEIVABLES

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

The following is an aged analysis of trade receivables at the reporting date:

	31.12.2002 <i>HK\$'000</i>	30.6.2002 <i>HK\$'000</i>
Trade receivables		
0-30 days	9,102	7,589
31-60 days	1,535	756
More than 60 days	4,108	–
	14,745	8,345
Deposits and prepayments	302	127
	15,047	8,472

9. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the reporting date:

	31.12.2002 <i>HK\$'000</i>	30.6.2002 <i>HK\$'000</i>
Trade payables		
0-30 days	6,029	3,078
31-60 days	–	–
More than 60 days	–	43
	6,029	3,121
Other payables and accrued charges	1,098	659
	7,127	3,780

10. SHARE CAPITAL

	Number of shares		Amount	
	31.12.2002	30.6.2002	31.12.2002 HK\$'000	30.6.2002 HK\$'000
Ordinary shares of HK\$0.1 each				
Authorised:				
At beginning and at end of the period/year	<u>1,500,000,000</u>	<u>1,500,000,000</u>	<u>150,000</u>	<u>150,000</u>
Issued and fully paid:				
At beginning of the period/year	775,472,663	643,727,663	77,547	64,373
Placing of ordinary shares	150,000,000	128,745,000	15,000	12,874
Exercise of share options	<u>–</u>	<u>3,000,000</u>	<u>–</u>	<u>300</u>
At end of period/year	<u>925,472,663</u>	<u>775,472,663</u>	<u>92,547</u>	<u>77,547</u>

On 30th October, 2002, the Company entered into a subscription agreement (the "Agreement") with Zest Zone Limited. Pursuant to the Agreement, Zest Zone Limited agreed to subscribe for 150,000,000 new ordinary shares of HK\$0.10 each in the Company at a price of HK\$0.10 each. These new ordinary shares were allotted on 11th November, 2002 and issued for the purpose of raising additional working capital.

All ordinary shares issued by the Company during the period rank pari passu with the then existing shares in all respects.