

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2002

1. BASIS OF PREPARATION

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

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared under the historical cost convention as modified for the revaluation of certain properties.

The accounting policies and method of computation adopted in the preparation of these unaudited interim financial statements are consistent with those used in the Group's annual financial statements for the year ended 30 June 2002, except that the Group has adopted the following new and revised SSAPs which are effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 25 (revised)	:	Interim financial reporting
SSAP 34	:	Employee benefits

The adoption of the above new and revised SSAPs has resulted in the introduction of the statement of changes in equity and a change in the format of presentation of the cash flow statement but has no material effect on the results for the current or prior accounting periods.

In accordance with SSAP 15 (revised), cash flows are classified under three headings as operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under cash flows from returns on investments and servicing of finance, are classified under either operating, investing or financing activities. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. The comparative figures have been reclassified to conform with the current period's presentation.

3. SEGMENTAL INFORMATION

(a) *Business Segments*

The Group is principally engaged in the manufacturing and selling of multimedia electronic products, and toys and games products. During the six months ended 31 December 2001, the Group was also engaged in the trading in telecommunication products, which was discontinued from May 2002.

	Six months ended 31 December 2002 (Unaudited)			Consolidated HK\$'000
	Multimedia electronic products HK\$'000	Toys and games products HK\$'000	Others HK\$'000	
Revenue from external customers	158,718	38,910	11,638	209,266
Segment results	(15,261)	(4,485)	4,388	(15,358)
Interest income and unallocated gains				1,952
Unallocated corporate expenses				(6,533)
Impairment loss in respect of interest in an associate				(1,000)
Impairment loss in respect of investments in securities				(6,400)
Loss from operations				(27,339)
Amortisation on goodwill				(5)
Finance costs				(3,421)
Loss before taxation				(30,765)
Taxation				-
Loss before minority interests				(30,765)
Minority interests				-
Net loss for the period				(30,765)

3. SEGMENTAL INFORMATION (Continued)

(a) Business Segments (Continued)

	Six months ended 31 December 2001 (Unaudited)				
	Multimedia electronic products <i>HK\$'000</i>	Toys and games products <i>HK\$'000</i>	Telecom- munication products <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue from external customers	147,319	33,962	37,420	16,824	235,525
Segment results	5,247	(6,004)	285	2,800	2,328
Interest income and unallocated gains					3,530
Unallocated corporate expenses					(5,728)
Profit from operations					130
Amortisation on goodwill					(724)
Share of results of an associate					(1,300)
Finance costs					(2,743)
Loss before taxation					(4,637)
Taxation					-
Loss before minority interests					(4,637)
Minority interests					(124)
Net loss for the period					(4,761)

There are no sales or other transactions between the business segments.

Analysis of assets and liabilities by business segments has not been disclosed as most of the Group's assets and liabilities are unallocated.

(b) Geographical Segments

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers. More than 90% of the Group's assets are located in the region of Hong Kong and mainland China. Accordingly, analysis of segment assets based on geographical segments has not been disclosed.

	Six months ended 31 December 2002 (Unaudited)				
	North America <i>HK\$'000</i>	Europe <i>HK\$'000</i>	Japan <i>HK\$'000</i>	Local and others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue from external customers	146,670	36,431	8,334	17,831	209,266
Segment results	(14,401)	(2,714)	(987)	2,744	(15,358)

3. SEGMENTAL INFORMATION (Continued)

(b) Geographical Segments (Continued)

	Six months ended 31 December 2001 (Unaudited)				
	North America HK\$'000	Europe HK\$'000	Japan HK\$'000	Local and others HK\$'000	Consolidated HK\$'000
Revenue from external customers	163,985	57,217	1,954	12,369	235,525
Segment results	(2,293)	1,026	688	2,907	2,328

There are no sales between the geographical segments.

4. DEPRECIATION AND AMORTISATION

During the period, the following depreciation and amortisation have been charged to the Group's condensed consolidated income statement.

	Six months ended 31 December	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	4,299	4,513
Amortisation of intangible assets	324	724
Amortisation of issue costs of convertible bonds	390	-

5. TAXATION

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong or the estimated assessable profits are wholly absorbed by tax losses brought forward for the current and last corresponding periods.

6. INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the current period (2001: Nil).

7. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the period of HK\$30,765,000 (2001: HK\$4,761,000) and on the weighted average of 7,454,844,241 (2001: 6,531,670,883) ordinary shares in issue during the period.

No diluted loss per share is presented for the current period as the conversion of the Company's outstanding convertible bonds, warrants, and share options would result in a decrease in the loss per share which is anti-dilutive.

No diluted loss per share was presented for the last corresponding period as the conversion of the Company's outstanding share options would result in a decrease in the loss per share which is anti-dilutive.

8. PROPERTY, PLANT AND EQUIPMENT

The changes in the net book value of property, plant and equipment for the six months ended 31 December 2002 are analysed as follows:

	<i>HK\$'000</i>
At 1 July 2002 (Audited)	59,783
Additions to:	
Leasehold improvements	140
Furniture, fixtures and equipment	549
Plant and machinery	104
Tools and moulds	949
Written off of leasehold improvements	(434)
Depreciation charged for the period	(4,299)
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At 31 December 2002 (Unaudited)	56,792

9. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 60 days to 90 days to its trade customers. Included in trade and other receivables are trade debtors of approximately HK\$44,290,000 (at 30 June 2002: HK\$56,869,000) with the following aged analysis:

	31 December 2002 (Unaudited) HK\$'000	30 June 2002 (Audited) HK\$'000
Within 90 days	25,881	34,816
Over 90 days	18,409	22,053
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	44,290	56,869

The Group is in the process of recovering receivable of approximately HK\$18 million in respect of goods shipped to a former customer, North American Foreign Trading Corporation ("NAFT") in 1996. NAFT has filed a Statement of Claim with the American Arbitration Association, in which it alleges that the Group manufactured and sold defective goods to NAFT for which NAFT is entitled to a refund. In addition, NAFT is claiming damages not exceeding US\$5 million. Based on legal advice, the Group is contesting vigorously the claims brought by NAFT and has counterclaimed for the said sum of HK\$18 million and for other damages. Accordingly, although it is not possible to determine the outcome of these proceedings with reasonable certainty at this time, no provision has been made in these interim financial statements against the Group's exposure in respect of this matter.

10. DEPOSITS PAID FOR ACQUISITION OF INVESTMENTS

The amount represents two deposits paid for acquisition of the operating rights in manufacturing of silicon rubber products and the investment in a jointly controlled entity as follows:

- (i) During the period, a cooperative agreement was entered into by Infodast Technology Limited, a wholly owned subsidiary of the Company, with an independent third party for the acquisition of operating rights in manufacturing of silicon rubber products by a factory located in the People's Republic of China for a period of 15 years at a consideration of HK\$6.8 million. A deposit of HK\$4 million was paid at the balance sheet date. The acquisition was completed on 17 March 2003.
- (ii) During the period, a share purchase agreement was entered into by Widax (China) Limited, a wholly owned subsidiary of the Company, with an independent third party for the acquisition of a 50% equity interest in Everbest Water Treatment Development Company Limited, a company incorporated in Hong Kong, at a consideration of HK\$5.7 million. A deposit of HK\$2.5 million was paid at the balance sheet date. The acquisition was completed on 4 March 2003.

11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK\$74,570,000 (at 30 June 2002: HK\$87,843,000) with the following aged analysis:

	31 December 2002 (Unaudited) HK\$'000	30 June 2002 (Audited) HK\$'000
Within 90 days	35,372	70,921
Over 90 days	39,198	16,922
	74,570	87,843

12. SHARE CAPITAL

	31 December 2002 (Unaudited)		30 June 2002 (Audited)	
	Number of shares '000	Nominal value HK\$'000	Number of shares '000	Nominal value HK\$'000
Ordinary shares of HK\$0.01 each				
Authorised:				
At beginning and end of period/year	20,000,000	200,000	20,000,000	200,000
Issued and fully paid:				
At beginning of period/year	6,611,624	66,116	6,490,108	64,901
New issue of shares pursuant to				
– subscription agreements	2,207,900	22,079	–	–
– settlement agreement	492,100	4,921	–	–
Exercise of share options	–	–	121,516	1,215
Exercise of warrants	2,500	25	–	–
At end of period/year	9,314,124	93,141	6,611,624	66,116

At 31 December 2002, there were 261,400,000 share options and 1,304,500,000 warrants (at 30 June 2002: 653,500,000 share options and 1,307,000,000 warrants) outstanding.

13. PLEDGE OF ASSETS

At 31 December 2002, the Group's leasehold properties with a net book value of HK\$22,694,000 (at 30 June 2002: HK\$23,240,000), investment property with a net book value of HK\$34,500,000 (at 30 June 2002: HK\$34,500,000), plant and machinery with a net book value of HK\$3,617,000 (at 30 June 2002: Nil) and bank deposits of HK\$11,010,000 (at 30 June 2002: HK\$8,646,000) were pledged to secure certain borrowings and general banking facilities granted to the Group.

14. CONTINGENT LIABILITIES

	31 December 2002 (Unaudited) HK\$'000	30 June 2002 (Audited) HK\$'000
Bills discounted with recourse	24,266	31,748

15. CAPITAL COMMITMENTS

As at 31 December 2002, the Group had the following commitments in respect of acquisition of the operating rights and a jointly controlled entity, as set out in note 10 above, and property, plant and equipment.

	31 December 2002 (Unaudited) HK\$'000	30 June 2002 (Audited) HK\$'000
Contracted but not provided for	6,410	–

16. SUBSEQUENT EVENTS

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

- (a) From November 2002 to December 2002, certain agreements were entered into between Welback Enterprises Limited, a 51% owned subsidiary of the Company, and certain independent third parties in respect of the disposal of three of the Group's leasehold properties for a total consideration of HK\$2,440,000. As at 31 December 2002, the carrying amount of the leasehold properties was approximately HK\$2,607,000. The transactions were completed in January 2003 to March 2003.
- (b) Pursuant to a board resolution of Gen-Wan Technology Corp ("Gen-Wan"), an associate of the Group, Gen-Wan will increase its share capital by NT\$70 million. The Group has given up its right to contribute additional investment in Gen-Wan and, accordingly, the Group's equity interest in Gen-Wan was diluted from 24.9% to 9.5% and the Group no longer has the power to participate in the financial and operating policy decisions of Gen-Wan. As a result, the investment in Gen-Wan was reclassified as investments in securities subsequent to the balance sheet date.
- (c) On 17 January 2003, a loan agreement was entered into between the Company and Achieve Well Group Limited ("AWG"), a substantial shareholder of the Company, for a loan of HK\$3 million advanced by AWG to the Company for financing the working capital of the Group. The loan is unsecured, chargeable with interest at 10% per annum and repayable on 16 January 2005.
- (d) On 16 January 2003 and 20 February 2003, options to subscribe for a total of 300,000,000 shares and 150,000,000 shares of the Company had been granted at the exercise price of HK\$0.016 per share and HK\$0.017 per share respectively to certain employees of the Group pursuant to the share option scheme. The said options granted on 16 January 2003 were fully exercised on 18 January 2003.

17. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report was approved by the Board of Directors on 25 March 2003.

By Order of the Board
Lee Kwok Leung
Executive Director

Hong Kong, 25 March 2003