

Notes To The Condensed Consolidated Financial Statements

For the six months ended 30th June, 2003

1. Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) No. 25 (Revised) “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and provisions set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”).

2. Principal accounting policies

The accounting policies adopted in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the Group’s audited financial statements for the year ended 31st December, 2002 except the adoption of SSAP 12 (Revised) “Income taxes” which is effective for the first time for the accounting period commencing on or after 1st January, 2003.

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, expect where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2002 have been restated accordingly. Opening retained earnings at 1st January, 2002 have been decreased by HK\$900,000, which is the cumulative effect of the change in policy on the results for periods prior to 2002. The effect of the change is not significant for the six months ended 30th June, 2002 and for the year ended 31st December, 2002.

3. Segmental information

An analysis of the Group's turnover and contribution to loss from operating activities by principal activity and geographical area is as follows:

By principal activity:

	Six months ended 30th June, 2003 (unaudited)					Eliminations HK\$'000	Consolidated HK\$'000
	Production, acquisition and distribution of television programmes	Design, manufacture and sale of life-like plants	and the provision of related multi-media services	Sale of festival gift products through an internet portal	Provision of anti-theft car alarm and tracking services		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Sales to external customers	10,916	389	137	212	-	11,654	
Intersegment sales	-	-	-	-	-	-	
Other revenue	468	103	-	2	-	573	
Total revenue	11,384	492	137	214	-	12,227	
Segment results	(19,366)	(2,465)	(1,378)	(25,090)	-	(48,299)	
Interest income and unallocated gains						41	
Unallocated expenses						(1,388)	
Loss from operating activities						(49,646)	
Finance costs						(4,508)	
Loss before tax						(54,154)	
Tax						-	
Loss before minority interests						(54,154)	
Minority interests						-	
Net loss for the period attributable to shareholders						(54,154)	

3. Segmental information (Continued)

By principal activity (Continued):

	Six months ended 30th June, 2002 (unaudited and restated)						Consolidated HK\$'000
	Design, manufacture and sale of life-like plants HK\$'000	Production, acquisition and distribution of television programmes and the provision of related multi-media services HK\$'000	Sale of festival gift products through an internet portal HK\$'000	Provision of anti-theft car alarm and tracking services HK\$'000	Eliminations HK\$'000		
Sales to external customers	35,550	3,431	1,335	179	-		40,495
Intersegment sales	1,171	-	-	-	(1,171)		-
Other revenue	3,168	91	6	-	-		3,265
Total revenue	39,889	3,522	1,341	179	(1,171)		43,760
Segment results	3,331	(1,030)	(1,570)	(3,979)	-		(3,248)
Interest income and unallocated gains							56
Unallocated expenses							(544)
Loss from operating activities							(3,736)
Finance costs							(1,064)
Loss before tax							(4,800)
Tax							(130)
Loss before minority interests							(4,930)
Minority interests							2,380
Net loss for the period attributable to shareholders							(2,550)

By geographical area:

	Six months ended 30th June, 2003 (unaudited)						Consolidated HK\$'000
	United States of America HK\$'000	Hong Kong HK\$'000	Mainland China HK\$'000	Europe HK\$'000	Elsewhere HK\$'000	Eliminations HK\$'000	
Sales to external customers	3,420	2,535	601	4,659	439	-	11,654
Segment results	(7,202)	(4,497)	(27,555)	(8,266)	(779)	-	(48,299)

3. Segmental information (Continued)

By geographical area (Continued):

	Six months ended 30th June, 2002 (unaudited)						
	United States of America	Hong Kong	Mainland China	Europe	Elsewhere	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales to external customers	25,658	5,666	3,610	5,561	-	-	40,495
Segment results	1,225	271	(5,009)	265	-	-	(3,248)

4. Other revenue

	Six months ended 30th June, 2003 (unaudited) HK\$'000	Six months ended 30th June, 2002 (unaudited) HK\$'000
Interest income	41	1,554
Sales of sample	359	815
Commission income	6	597
Rental income	-	75
Exchange gain, net	90	115
Others	118	165
	614	3,321

5. Loss from operating activities

Loss from operating activities is arrived at after charging:

	Six months ended 30th June, 2003 (unaudited) HK\$'000	Six months ended 30th June, 2002 (unaudited) HK\$'000
Cost of inventories sold	17,259	25,278
Amortization of TV programmes and sub-licensing rights	414	600
Amortization of deferred development cost	374	358
Amortization of goodwill	-	271
Depreciation	3,533	2,028
Impairment on fixed assets	21,960	-
Loss on disposal of fixed assets/assets written off	4,650	-

6. Finance costs

	Six months ended 30th June, 2003 (unaudited) HK\$'000	Six months ended 30th June, 2002 (unaudited) HK\$'000
Interest on bank loans wholly repayable		
within five years	528	648
Interest on other loans	3,930	306
Interest on finance lease	50	110
	4,508	1,064

7. Taxation

	Six months ended 30th June, 2003 (unaudited) HK\$'000	Six months ended 30th June, 2002 (unaudited) HK\$'000
Current Taxation		
Hong Kong	–	130
Elsewhere	–	–
Deferred taxation	–	–
Taxation charge for the period	–	130

No provision for income tax has been made for the six months ended 30th June, 2003, as there was no assessable profit arising in Hong Kong or elsewhere. Hong Kong profits tax has been provided at the rate of 16% on the estimated assessable profits arising in Hong Kong for the six months ended 30th June, 2002.

The provision for deferred tax is made in respect of accelerated depreciation allowances to the extent that a liability was expected to crystallize in the foreseeable future. The Group had an unprovided deferred tax assets of approximately HK\$3,000,000 relating to tax losses carried forward and accelerated depreciation allowance, which is not expected to crystallize in the foreseeable future.

8. Dividend

The Directors have resolved not to recommend the payment of any interim dividend for the six months ended 30th June, 2003 (2002: nil).

9. Losses per share

The calculation of basic losses per share is based on the net loss attributable to shareholders for the six months ended 30th June, 2003 of HK\$54,154,000 (2002: HK\$2,550,000) and on the weighted average of 345,500,000 ordinary shares (2002: 345,500,000 shares) in issue during the period.

9. Losses per share (Continued)

The diluted losses per share for both of the six months ended 30th June, 2003 and 2002 has not been prepared as the exercise of the Company's outstanding option will have anti-dilutive effect on the basic losses per share.

10. Inventories

	30th June, 2003 (unaudited) HK\$'000	31st December, 2002 (audited) HK\$'000
Raw materials	5,647	5,741
Work in progress	3,936	4,520
Finished goods	3,637	3,639
	13,220	13,900

11. Television programmes and sub-licensing rights

	30th June, 2003 (unaudited) HK\$'000	31st December, 2002 (audited) HK\$'000
TV programmes	3,602	1,900
TV programmes in progress	10,036	3,456
Sub-licensing rights	100	100
	13,738	5,456

12. Trade receivables

Credit is offered to customers following a financial assessment and the demonstration of an establishing payment record. The Group usually allows an average credit period of 30 to 120 days to its customers and seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management and collections are followed up by accounting personnel. The following is aging analysis of trade receivables (net of provision for bad and doubtful debts).

	30th June, 2003 (unaudited) HK\$'000	31st December, 2002 (audited) HK\$'000
Aging		
Less than 90 days	746	16,805
91 – 180 days	36	282
Over 180 days	8,793	1,880
	9,575	18,967

The above analysis ages trade receivables, stated net of provision for bad and doubtful debts, based on the due dates after revenue is recognized from the trade transactions.

13. Account payable and accrued liabilities

Included in accounts payable and accrued liabilities are the following trade payables:

	30th June, 2003 (unaudited) HK\$'000	31st December, 2002 (audited) HK\$'000
Aging		
Less than 90 days	3,071	7,945
91 – 180 days	1,301	1,359
Over 180 days	8,697	4,890
Total accounts payable	13,069	14,194
Accrued liabilities	18,309	22,914
	31,378	37,108

The above analysis ages trade payables based on the invoice dates after receipts of the goods and services purchased.

14. Share capital

	30th June, 2003 (unaudited) HK\$'000	31st December, 2002 (audited) HK\$'000
Authorised:		
500,000,000 ordinary shares of HK\$0.10 each	50,000	50,000
Issued and fully paid:		
345,500,000 ordinary shares of HK\$0.10 each	34,550	34,550

15. Reserves

At the balance sheet date the Group had the following reserves:

	30th June, 2003 (unaudited) HK\$'000	31st December, 2002 (audited and restated) HK\$'000
Share premium	59,306	59,306
Contributed surplus	24,041	24,041
Revaluation reserve	37,023	37,023
Exchange reserve	166	166
Accumulated losses	(101,444)	(47,290)
	19,092	73,246

16. Commitments and contingent liabilities

At the balance sheet date the Group had the following commitments and contingent liabilities:

	30th June, 2003 (unaudited) HK\$'000	31st December, 2002 (audited) HK\$'000
(a) Contracted capital commitment	3,570	4,808
(b) Commitment under operating lease		
Annual commitments payable under non-cancellable operating leases in respect of land and buildings expiring:		
Within one year	929	873
In the second to fifth years, inclusive	1,633	427
	2,562	1,300
(c) Contingent liabilities in respect of bills discounted with recourse	156	5,271

17. Related party transactions

(a) The Group had the following transactions with companies with common directors and/or shareholders of the Company's subsidiaries for the period:

	Six months ended 30th June, 2003 (unaudited) HK\$'000	Six months ended 30th June, 2002 (unaudited) HK\$'000
Rental Income received	–	75

(b) The Group had the following outstanding balances with companies with common directors and/or shareholders of the Company's subsidiaries at the balance sheet date:

	30th June, 2003 (unaudited) HK\$'000	30th June, 2002 (unaudited) HK\$'000
Amount due from a related company	107	107

18. Comparative amounts

Certain comparative amounts have been reclassified to conform with the current period's presentation.