

The Group's financial ratio was deteriorating due to decrease in shareholders' equity and tight cash flow position. In view of which, the Group had further secured a new banking facilities of HK\$15 million from a new banker and raised approximately HK\$8.3 million by placing of 86,375,000 new shares of the Company subsequent to the balance sheet date.

The business operations of the Group are mainly transacted in US dollars and Renminbi. Most of the Group's sales are conducted in the same currency as the corresponding purchase transaction. The Directors do not consider that the Group has significant exposure to foreign exchange fluctuations in view of the stability of US dollars and Renminbi. The Directors also consider that there will be sufficient cash resources denominated in Hong Kong dollars for the repayment of its bank borrowings. Accordingly, the Group did not engage any financial instrument for hedging purposes during the period and there is no hedging instrument outstanding as at 30th June, 2003.

Capital Structure

Subsequent to the balance sheet date, on 26th August, 2003 the Company entered into a subscription agreement with a wholly owned subsidiary of China Star Entertainment Limited for the subscription of 86,375,000 new shares of the Company at par value of HK\$0.10 each for an aggregate amount of HK\$8,637,500. The completion of the subscription agreement has been divided into two tranches of 69,100,000 and 17,275,000 new shares respectively. The issuance of the first tranche of 69,100,000 shares was completed on 10th September, 2003. The second tranche of shares is expected to be completed on or before 10th October, 2003.

The net proceed of approximately HK\$8,300,000 is expected to be raised from the subscription which will be applied as the general working capital of the Group. As at the date of this report, HK\$6,910,000 was received from the completion of the first tranche of the subscription.

The movement in the share capital of the Company is as follows:-

	Number of shares issued
At 1st January, 2003 and 30th June, 2003	345,500,000
Allotment of shares as detailed above on 10th September, 2003	69,100,000
At the date of this report	414,600,000