NOTES TO THE FINANCIAL STATEMENTS

30th June 2003

1. GENERAL

The Company is a public limited company incorporated in Bermuda as an exempted company with limited and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company acts as an investment holding company. The Principal activities of its principal subsidiaries and an associate are set out in notes 33 and 13, respectively.

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

The following new and revised SSAPs are effective for the first time in the preparation of the current year's financial statements:

- SSAP 1 (Revised) : "Presentation of financial statements"
- SSAP 11 (Revised) : "Foreign currency translation"
- SSAP 15 (Revised) : "Cash flow statements"
- SSAP 33 : "Discontinuing operations"
- SSAP 34 : "Employee benefits"

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting these SSAPs are summarised as follows:

SSAP 1 (Revised): "Presentation of financial statements"

SSAP 1 prescribes the basis of presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision to this SSAP is that a consolidated statement of changes in equity is now presented in place of the consolidated statement of recognised gains and losses that was previously required and in place of the Group's reserves note.

SSAP 11 (Revised): "Foreign currency translation"

SSAP 11 prescribes the basis for the translation of foreign currency transactions in the financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the income statements of overseas subsidiaries are now translated into Hong Kong dollars at the weighted average exchange rates for the year, whereas previously they were translated at the exchange rates ruling at the balance sheet date. Further details about the impact of this SSAP are given in the accounting policy for foreign currencies as set out in note 3 to the financial statements.

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (continued)

SSAP 15 (Revised): "Cash flow statements"

SSAP 15 prescribes the format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. The format of the consolidated cash flow statement and the notes thereto have been revised in accordance with the new requirements. In addition, the cash flows from overseas subsidiaries arising during the year are now translated to Hong Kong dollars at the exchange rates at the dates of the transactions, or at an approximation thereto, whereas previously, they were translated at the exchange rates at the balance sheet date. Further details of these changes are described in the accounting policy for foreign currencies as set out in note 3 to the financial statements.

SSAP 33: "Discontinuing operations"

SSAP 33 replaces the existing disclosure requirements for discontinuing operations, which were previously included in SSAP 2. The SSAP defines a discontinuing operation and prescribes when an enterprise should commence including discontinued operations disclosures in its financial statements and the disclosures required.

SSAP 34: "Employee benefits"

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatments for employee benefits. The disclosures are similar to those previously required to be disclosed in the Report of the Directors by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and which are now included in the notes to the financial statements as a consequence of the SSAP.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic re-measurement of investments securities, as further explained below.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 30th June 2003. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant inter-company transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20 per cent of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results of associates is included in the consolidated income statement. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of five years. On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate.

The carrying amount of goodwill is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) Sales of goods are recognised when goods are delivered and title has passed;

(b) Service income is recognised when services are provided;

(c) Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable; and

(d) Dividend income from investments is recognised when the Group's right to receive payment has been established.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

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

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:–

Leasehold improvements	–	20%
Plant and machinery	–	20%
Furniture, fixtures and equipment	–	20% – $33^1/_3$%
Motor vehicles	–	25%

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as assets owned by the Group, or where shorter, the term of the relevant lease.

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.

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 initially measured at cost.

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 loss.

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

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and is recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and are depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leased assets (continued)

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the income statement.

On consolidation, the financial statements of subsidiaries outside Hong Kong are translated into Hong Kong dollars using the net investment method. The income statements of subsidiaries outside Hong Kong are translated to Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated to Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange reserve.

For the purpose of the consolidated cash flow statement, the cash flows of subsidiaries outside Hong Kong are translated into Hong Kong dollars at the exchange rates at the dates of the cash flows. Frequently recurring cash flows of subsidiaries outside Hong Kong which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Prior to the adoption of the revised SSAPs 11 and 15 during the year, as explained in note 2 to the financial statements, the income statements of subsidiaries outside Hong Kong and the cash flows of subsidiaries outside Hong Kong were translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements, while the adoption of the revised SSAP 15 has resulted in changes to the layout of the consolidated cash flow statement, but has had no material effect on the amounts previously reported in the prior year's financial statements.

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 timing differences, computed using the liability method, is recognized as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallize in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Employment Ordinance long service payments

Certain employees of the Group have completed the required number of years of service under the Employment Ordinance, Chapter 57 of the Laws of Hong Kong (the "Employment Ordinance") to be eligible for long service payments upon termination of their employments. The Group is only liable to make such payments where the termination meets the required circumstances specified in the Employment Ordinance.

A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources of the Group.

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when an employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of the payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, which are not restricted as to use.

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group's is currently organized into six operating divisions namely distribution and trading; provision of entertainment services; provision of website, advertising and design services; provision of traveling agents services; provision of telecommunications services; and investment and financial services.

Segment information about these businesses is presented below:–

INCOME STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2003

	Distribution and trading	Provision of entertainment services	Provision of website, advertising and design services	Provision of travelling agents services	Provision of telecommuni-cations services	Investment and financial services	Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE								
External sales	7,497	1,260	–	376	11,688	4,217	–	25,038
Inter-segments sales	–	–	–	–	15	–	(15)	–
Total	7,497	1,260	–	376	11,703	4,217	(15)	25,038
Inter-segment sales are charged at prevailing market prices								
Segment results	(11,384)	(1,865)	–	(954)	(12,773)	(117,955)	–	(144,931)
Unallocated corporate expenses								(18,814)
Loss from operations								(163,745)
Finance costs								(713)
Allowance for amount due from an associate								(426)
Loss before taxation								(164,884)
Taxation								–
Loss for the year								(164,884)

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

	Distribution and trading	Provision of entertainment services	Provision of website, advertising and design services	Provision of travelling agents services	Provision of telecommunications services	Investment and financial services	Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
BALANCE SHEET AS AT 30TH JUNE 2003								
ASSETS								
Segment assets	4,390	676	–	2,489	2,410	100,618	–	110,583
Unallocated corporate assets								135
Total assets								110,718
LIABILITIES								
Segment liabilities	576	72	–	87	3,471	7,479	–	11,685
Unallocated corporate liabilities								25
Total liabilities								11,710
OTHER INFORMATION								
Capital additions	–	36	–	110	96	–	–	242
Amortisation of intangible assets	–	–	1,500	–	–	–	–	1,500
Depreciation	227	170	–	32	1,966	–	–	2,395
Allowance for trade and other receivables	5,679	–	–	–	–	1,050	–	6,729
Allowance for short-term loans receivable	–	–	–	–	–	17,000	–	17,000

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

INCOME STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2002

	Distribution and trading HK$'000	Provision of entertainment services HK$'000	Provision of website, advertising and design services HK$'000	Provision of travelling agents services HK$'000	Provision of telecommunications services HK$'000	Investment and financial services HK$'000	Elimination HK$'000	Consolidated HK$'000
REVENUE								
External sales	49,973	1,243	567	–	3,065	7,623	–	62,471
Inter-segments sales	–	–	–	–	5	500	(505)	–
Total	49,973	1,243	567	–	3,070	8,123	(505)	62,471
Inter-segment sales are charged at prevailing market prices								
Segment results	(7,710)	(6,157)	(93,346)	–	(6,710)	(72,389)	–	(186,312)
Unallocated corporate expenses								(3,072)
Loss from operations								(189,384)
Finance costs								(389)
Allowance for amount due from an associate								(1,271)
Share of loss of an associate								(5)
Loss before taxation								(191,049)
Taxation								–
Loss for the year								(191,049)

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

	Distribution and trading	Provision of entertainment services	Provision of website, advertising and design services	Provision of travelling agents services	Provision of telecommuni-cations services	Investment and financial services	Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
BALANCE SHEET AS AT 30TH JUNE 2002								
ASSETS								
Segment assets	17,592	853	4,850	–	11,443	203,046	–	237,784
Unallocated corporate assets								30,776
Total assets								268,560
LIABILITIES								
Segment liabilities	8,606	12	2,718	–	2,655	3,140	–	17,131
Unallocated corporate liabilities								4,962
Total liabilities								22,093
OTHER INFORMATION								
Capital additions	50	362	571	–	2,526	–	–	3,509
Amortisation of intangible assets	–	–	2,000	–	–	–	–	2,000
Depreciation	180	90	1,691	–	1,871	–	–	3,832
Allowance for trade and other receivables	4,733	–	–	–	–	2,500	–	7,233
Allowance for short-term loans receivable	–	–	–	–	–	19,657	–	19,657

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Geographical segments

The Group's operations are principally located in Hong Kong, the People's Republic of China other than Hong Kong (the "PRC") and Taiwan.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	Sales by geographical market		Loss from operations	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**24,568**	61,904	**(143,309)**	(182,303)
PRC	**93**	567	**(1,815)**	(4,009)
Taiwan	**377**	–	**(954)**	–
	25,038	62,471	**(146,078)**	(186,312)
Unallocated corporate expenses			**(17,667)**	(3,072)
Unallocated corporate income			**–**	–
Loss from operations			**(163,745)**	(189,384)

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:–

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**107,669**	262,278	**130**	2,937
PRC	**560**	1,282	**2**	572
Taiwan	**2,489**	–	**111**	–
	110,718	263,560	**243**	3,509

NOTES TO THE FINANCIAL STATEMENTS

30th June 2003

5. NET INVESTMENT EXPENSES

	2003 HK$'000	2002 HK$'000
Loss on disposal of investment securities	14,182	10,689
Unrealised gain on investment securities	(3,350)	–
Unrealised loss on other investments	2,064	9,844
Loss on disposal of other investments	–	1,819
	12,896	22,352

6. LOSS FROM OPERATIONS

	2003 HK$'000	2002 HK$'000
Loss from operations has been arrived at after charging:		
Directors' emoluments *(note 8(a))*	1,476	2,079
Pension contributions	154	127
Other staff costs	4,167	4,231
Total staff costs	5,797	6,437
Amortisation of intangible assets (included in administrative expenses)	1,500	2,000
Auditors' remuneration	527	565
Bad debts written off	47,207	–
Depreciation		
Owned assets	3,375	3,812
Assets held under finance leases	20	20
Loss on disposal of property, plant and equipment	3,933	587
and after crediting:–		
Interest income	4,344	7,622
Dividend income from listed securities	342	1

7. FINANCE COSTS

	2003	2002
	HK$'000	*HK$'000*
Interest on:–		
Bank loan wholly repayable within five years	**136**	181
Other loan wholly repayable within five years	**570**	202
Obligations under finance leases	**7**	6
	713	389

8. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

Particulars of the directors' and the five highest paid employees' emoluments are as follows:–

(a) Directors' emoluments

	2003	2002
	HK$'000	*HK$'000*
Directors' fees:–		
Executive directors	**–**	–
Independent non-executive directors	**83**	100
Other emoluments for executive directors:–		
Basic salaries and allowances	**1,393**	1,979
	1,476	2,079

The emoluments of each director were within the following band:–

	Number of Directors	
	2003	2002
Nil to HK$1,000,000	**6**	6

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors has waived any emoluments during the year.

8. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

(b) Employees' emoluments

Of the five highest paid individuals in the Group, two (2002: four) are directors of the Company whose emoluments are set out in note 8(a) above. The emoluments of the remaining three individual (2002: one) is as follows:–

	2003	2002
	HK$'000	*HK$'000*
Basic salaries and allowances	**1,215**	300

9. TAXATION

No provision for taxation has been made in the financial statements as members of the Group had no assessable profit for the year.

10. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to shareholders for the year of HK$164,884,000 (2002: HK$191,049,000) and on the weighted average of 122,469,179 (2002: 36,349,759) shares in issue during the year.

As required by paragraph 42 of SSAP 5 "Earnings Per Share", the weighted average number of ordinary shares for the purposed of calculating basic loss per share for 2002 has been further adjusted for the effect of the share consolidation approved on 9th September 2002, details of which are set out in note 24.

Diluted loss per share for the year ended 30th June 2003 has not been shown as no diluting events existed on the basis loss per share for the year. No diluted loss per share for the year ended 30th June 2002 has been presented as the conversion of warrants, which lapsed during the year, would result in a decrease in loss per share for the year.

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
THE GROUP					
COST					
At 1st July 2002	1,831	5,951	7,291	1,007	16,080
Exchange realignment	–	–	2	5	7
Additions	23	47	172	–	242
Disposals	(1,382)	(5,998)	(1,281)	(260)	(8,921)
At 30th June 2003	**472**	**–**	**6,184**	**752**	**7,408**
DEPRECIATION					
At 1st July 2002	324	1,324	3,793	259	5,700
Exchange realignment	–	–	–	–	–
Provided for the year	368	1,199	1,670	158	3,395
Eliminated on disposals	(527)	(2,523)	(523)	(45)	(3,618)
At 30th June 2003	**165**	**–**	**4,940**	**372**	**5,477**
NET BOOK VALUE					
At 30th June 2003	**307**	**–**	**1,244**	**380**	**1,931**
At 30th June 2002	1,507	4,627	3,498	748	10,380

At 30th June 2003, the net book value of furniture, fixtures and equipment included an amount of HK$72,000 (2002: 92,000) in respect of asset held under finance leases.

12. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2003	2002
	HK$'000	*HK$'000*
Unlisted shares, at cost	**98,514**	98,514
Amounts due from subsidiaries	**453,892**	447,964
	552,406	546,478
Less: Impairment loss recognised	**(432,235)**	(324,226)
	120,171	222,252

The amounts due from subsidiaries are unsecured and have no fixed terms of repayment. In the opinion of the directors, the amounts will not be repayable within twelve months from the balance sheet date and are therefore shown as non-current.

An impairment loss of HK$108,000,000 (2002: HK$140,000,000) has been recognised in respect of the investments in and advances to subsidiaries to their recoverable amounts which determined by reference to the fair value of the underlying assets of the respective subsidiaries at the balance sheet date.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

Particulars of the Company's principal subsidiaries at 30th June 2003 are set out in note 33.

13. INTEREST IN AN ASSOCIATE

	THE GROUP	
	2003	2002
	HK$'000	*HK$'000*
Unlisted shares, at cost	**5**	5
Share of post-acquisition loss of an associate	**(5)**	(5)
Amount due from an associate, less allowance	**–**	226
	–	226

At 30th June 2002, the amount due from an associate is unsecured, interest free and has no fixed terms of repayment. In the opinion of the directors, the amount will not be repayable within twelve months from the balance sheet date and is therefore shown as non-current.

Particulars of the Group's associate at 30th June 2003 are as follows:–

Name of associate	Place of incorporation	Nominal value of issued and paid up share capital	Proportion of issued share capital held by the Group %	Principal activities
Magicon Limited	Hong Kong	HK$10,000	50	Investment in a company which is engaged in graphic design, 3D animation, vision effect and software development

14. INTERESTS IN SECURITIES

	Investment securities		Other investments		Total	
	2003	2002	**2003**	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
THE GROUP						
Listed equity securities in Hong Kong	**9,311**	11,996	**23,861**	7,549	**33,172**	19,545
Unlisted equity securities in Hong Kong	**12,680**	34,980	**–**	–	**12,680**	34,980
	21,991	46,976	**23,861**	7,549	**45,852**	54,525
Market value of listed securities	**16,147**	11,544	**43,881**	7,549	**60,028**	19,093
Carrying amount analysed for reporting purposes as:						
Non-current	**21,991**	46,976	**–**	–	**21,991**	46,976
Current	**–**	–	**23,861**	7,549	**23,861**	7,549
	21,991	46,976	**23,861**	7,549	**45,852**	54,525

During the year, the directors of the Company have reviewed the carrying amount of the investment securities in light of the current market condition with reference to the financial results and business operated by certain investees. The directors have identified impairment loss of HK$25,000,000 (2002: HK$20,300,000) on the investment securities, estimated by reference to the market value and the amount has been recognised in the income statement accordingly.

15. INTANGIBLE ASSETS

	Development costs
	HK$'000
THE GROUP	
COST	
At 1st July 2002 and at 30th June 2003	4,833
AMORTISATION	
At 1st July 2002	3,333
Provided for the year	1,500
At 30th June 2003	**4,833**
NET BOOK VALUE	
At 30th June 2003	**–**
At 30th June 2002	1,500

16. DEPOSIT MADE FOR ACQUISITION OF A SUBSIDIARY

At 30th June 2003, the full amount was transferred to accounts "Interests in subsidiaries" as the 70% interest of the subsidiary acquired during the year.

At 30th June 2002, the balance sheet represented the full amount of consideration paid by the Group in connection with its acquisition of a 70% interest in a private limited company incorporated in Taiwan.

17. TRADE AND OTHER RECEIVABLES

The credit terms granted by the Group to its trade customers normally range from 30 days to 150 days. Included in the balances are trade receivables of HK$1,647,000 (2002: HK$17,535,000) and their aged analysis is as follows:–

	THE GROUP	
	2003	2002
	HK$'000	*HK$'000*
0 – 1 month	**872**	1,473
1 – 3 months	**–**	10,451
Over 3 months	**775**	5,611
	1,647	17,535

18. SHORT-TERM LOANS RECEIVABLE

On the balances sheet date, the loans were:

	THE GROUP	
	2003	2002
	HK$'000	*HK$'000*
Not yet due/extended	**4,300**	119,467
Overdue	**53,613**	38,200
Accrued interest receivable	**3,473**	2,534
	61,386	160,201
Allowance	**(34,500)**	(32,657)
	26,886	127,544

The loans were made in general for a period from one to eighteen months, but may be extended on mutual agreement. These loans carry interest ranging from 5% to 27% per annum.

19. PLEDGED BANK DEPOSITS

At the balance sheet date, the following bank deposits were pledged to banks in respect of banking facilities granted to:–

	THE GROUP	
	2003	2002
	HK$'000	*HK$'000*
An investee company	**–**	10,000
A subsidiary	**90**	7,576
	90	17,576

20. TRADE AND OTHER PAYABLES

Included in the balances are trade payables of HK$2,158,000 (2002: HK$9,313,000) and their aged analysis is as follows:–

	THE GROUP	
	2003	2002
	HK$'000	*HK$'000*
0 – 1 month	**1,683**	2,107
1 – 3 months	**380**	7,206
Over 3 months	**95**	–
	2,158	9,313

21. AMOUNTS DUE TO DIRECTORS

The balances are unsecured, interest free and are repayable on demand.

22. UNSECURED BANK AND OTHER LOANS

	THE GROUP	
	2003	2002
	HK$'000	*HK$'000*
Bank and other loans comprise:–		
Bank loan	**–**	3,563
Other loan	**1,528**	429
	1,528	3,992
The bank and other loans are repayable as follows:–		
Within one year or on demand	**1,528**	1,554
More than one year, but not exceeding two years	**–**	1,125
More than two years, but not exceeding five years	**–**	1,313
	1,528	3,992
Less: Amount due within one years shown under current liabilities	**(1,528)**	(1,554)
Amount due after one year	**–**	2,438

23. OBLIGATIONS UNDER FINANCE LEASES

THE GROUP	Minimum lease payments		Present value of minimum lease payments	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable under finance leases:				
Within one year	**41**	41	**37**	37
In the second to fifth year inclusive	**16**	57	**10**	45
	57	98	**47**	82
Less: Future finance charges	**(10)**	(16)	**–**	–
Present value of lease obligations	**47**	82	**47**	82
Less: Amount due for settlement within one year shown under current liabilities			**(37)**	(37)
Amount due for settlement after one year			**10**	45

It is the Group's policy to lease certain of its furniture, fixtures and equipment under finance leases. The average lease term is 1 year. For the year ended 30th June 2003, the average effective borrowing rate is approximately 12%. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

24. SHARE CAPITAL

	Number of ordinary shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.001 each at 1st July 2001	200,000,000,000	200,000
Ordinary shares of HK$0.08 each:		
Consolidation of 80 existing shares of HK$0.001 each into 1 share of HK$0.08 each	639,687,213	51,175
Ordinary shares of HK$0.01 each:		
Reduction of nominal value of existing shares of HK$0.08 each to HK$0.01 each by the cancellation of HK$0.07 on each paid up share	639,687,213	6,397
Exercise of warrants	400,000	4
Ordinary shares of HK$0.01 each at 30th June 2001	640,087,213	6,401
Issue of shares	18,600,000	186
Rights issue of shares	7,245,569,298	72,456
Exercise of warrants	905	–
Ordinary shares of HK$0.01 each at 30th June 2002	7,904,257,416	79,043
Issued and fully paid:		
Ordinary shares of HK$0.01 each at 1st July 2002	7,904,257,416	79,043
Ordinary shares of HK$0.80 each:		
Consolidation of 80 existing shares of HK$0.01 each into 1 share of HK$0.80 each	98,803,217	79,043
Ordinary shares of HK$0.01 each		
Reduction of nominal value of existing shares of HK$0.80 to HK$0.01 each by the cancellation of HK$0.79 on each paid up share	98,803,217	988
Placing of new shares	42,796,783	428
Ordinary shares of HK$0.01 each at 30th June 2003	**141,600,000**	**1,416**

24. SHARE CAPITAL (continued)

During the year, the following changes in the share capital of the Company took place:

(i) On 10th September 2002 the Company consolidated every 80 issued Shares into one Consolidated Share for its Capital Reorganisation. Upon the Share Consolidation becoming effective, the Capital Reduction under which the paid up capital of the issued Consolidated Shares will be reduced from HK$0.80 to HK$0.01 each by the cancellation of HK$0.79 paid up on each issued Consolidated Share. Details of the transaction are set out in the circular of the Company dated 14th August 2002.

(ii) On 30th October 2002 the Directors announce that the Company has entered into the Placing Agreement with the Placing Agent to place 19,196,783 shares at the price of HK$0.138 per Placing Share. Shares amount to approximately 19.43% of the existing issued share capital of the Company of 98,803,217 shares and about 16.27% of the share capital of 118,000,000 shares as enlarged by the Placing Shares. The net proceeds from the Placing of approximately HK$2.4 million will be applied as general working capital of the Group. Details of completion of the placing agreement are set out in the announcement of the Company dated 19th November 2002.

(iii) On 11th December 2002 the Directors announce that the Company has entered into the Placing Agreement with the Placing Agent to place 23,600,000 shares at the price of HK$0.18 per Placing Share. Shares amount to approximately 20.00% of the existing issued share capital of the Company of 118,000,000 shares and about 16.27% of the share capital of 141,600,000 shares as enlarged by the Placing Shares. The net proceeds from the Placing of approximately HK$4 million will be applied as general working capital of the Group. Details of expected completion of the placing agreement are set out in the announcement of the Company dated 11th December 2002.

25. SHARE OPTIONS

The Company has a share option scheme under which the directors and employees of the Company and its subsidiaries may be granted options to subscribe for ordinary shares in the Company. As at 30th June 2003, no option had been granted under the scheme.

26. RESERVES

	Share premium	Goodwill	Contribution surplus	Special reserve	Distribution reserve	Exchange reserve	Accumulated loss	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP								
At 1st July 2001	314,287	(100,257)	–	847	39,387	(26)	(23,009)	231,229
Exchange difference arising from translation of operations outside Hong Kong	–	–	–	–	–	43	–	43
Premium arising on issue of shares	41,622	–	–	–	–	–	–	41,622
Expenses incurred in connected with the issue of shares	(4,383)	–	–	–	–	–	–	(4,383)
Impairment loss recognised	–	89,958	–	–	–	–	–	89,958
Loss for the year	–	–	–	–	–	–	(191,049)	(191,049)
At 30th June 2002	351,526	(10,299)	–	847	39,387	17	(214,058)	167,420
Exchange difference arising from translation of operations outside Hong Kong	–	–	–	–	–	(28)	–	(28)
Premium arising on issue of shares	6,469	–	–	–	–	–	–	6,469
Expenses incurred in connected with the issue of shares	(202)	–	–	–	–	–	–	(202)
Reduction of nominal value of existing share	–	–	–	–	–	–	78,055	78,055
Goodwill on acquisition of subsidiaries	–	(18,912)	–	–	–	–	–	(18,912)
Impairment loss recognised	–	29,211	–	–	–	–	–	29,211
Loss for the year	–	–	–	–	–	–	(164,884)	(164,884)
At 30th June 2003	**357,793**	**–**	**–**	**847**	**39,387**	**(11)**	**(300,887)**	**97,129**
Attributable to:								
The Company and subsidiaries	357,793	–	–	847	39,387	(11)	(300,424)	97,592
Associate	–	–	–	–	–	–	(463)	(463)
At 30th June 2003	**357,793**	**–**	**–**	**847**	**39,387**	**(11)**	**(300,887)**	**97,129**

26. RESERVES (continued)

	Share premium	Goodwill	Contribution surplus	Special reserve	Distribution reserve	Exchange reserve	Accumulated loss	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE COMPANY								
At 1st July 2001	314,287	–	61,949	–	39,387	–	(166,726)	248,897
Premium arising on issue of shares	41,622	–	–	–	–	–	–	41,622
Expenses incurred in connected with the issue of shares	(4,383)	–	–	–	–	–	–	(4,383)
Loss for the year	–	–	–	–	–	–	(136,640)	(136,640)
At 30th June 2002	351,526	–	–	–	39,387	–	(303,366)	149,496
Premium arising on issue of shares	6,469	–	–	–	–	–	–	6,469
Expenses incurred in connected with the issue of shares	(202)	–	–	–	–	–	–	(202)
Reduction of nominal value of existing share	–	–	–	–	–	–	78,054	78,054
Loss for the year	–	–	–	–	–	–	(111,130)	(111,130)
At 30th June 2003	**357,793**	**–**	**61,949**	**–**	**39,387**	**–**	**(336,442)**	**122,687**

The special reserve of the Group represents the differences between the nominal value of the aggregate share capital of the subsidiaries acquired pursuant to a group reorganisation in December 1997 (the "Group Reorganisation"), over the nominal value of the Company's shares issued in exchange.

The contributed surplus of the Company represents the excess of the combined net assets of the subsidiaries acquired pursuant to the Group Reorganisation in December 1997, over the nominal value of the Company's shares issued in exchange.

The distributable reserve of the Group and the Company represents the aggregate of the credit arising from the reduction of nominal value of the Company's share capital in March 1999 and March 2001 less the amount utilised for a bonus issue of shares in September 2000.

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) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

26. RESERVES (continued)

(b) the realisable value of the Company's 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, the Company had no reserves available for distribution as at 30th June 2003 and 30th June 2002.

During the year, the directors reviewed the carrying value of goodwill which had previously been dealt with in reserve with reference to the business operated by those subsidiaries principally engaging in the website, entertainment and advertising business. In view of the current economic condition, an impairment loss of HK$29,211,000 (2002: HK$89,958,000) has been identified and recognised in the consolidated income statement.

27. ACQUISITION OF A SUBSIDIARY

	2003
	HK$'000
Net assets acquired:	
Property, plant and equipment	**39**
Intangible assets	**62**
Cash and bank balances	**1,396**
Trade and other receivables	**146**
Inventory	**70**
Trade and other payables	**(159)**
Minority interests	**(466)**
	1,088
Goodwill on acquisition of subsidiaries	**18,912**
Consideration	**20,000**
Satisfied by:	
Cash consideration paid	**20,000**

The subsidiaries acquired during the year ended 30th June 2003 did not have any significant impact on the Group's cash flows or operating results for that year.

28. UNRECOGNISED DEFERRED TAXATION

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

The Company had no significant unprovided deferred taxation for the year or at the balance sheet date.

29. OPERATING LEASE COMMITMENTS

	THE GROUP	
	2003	2002
	HK$'000	*HK$'000*
Minimum lease payments paid under operating leases in respect of rented premises	**871**	2,241

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

	THE GROUP	
	2003	2002
	HK$'000	*HK$'000*
Within one year	**575**	1,767
In the second to fifth year inclusive	**296**	205
	871	1,972

Operating lease payments represent rentals payable by the Group for certain of its offices. Leases are negotiated for an average term of two years. Rentals are fixed and no arrangements have been entered into for contingent rentals payments.

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

30. RETIREMENT BENEFITS SCHEME

With effective from 1st December 2000, the Group has joined a mandatory provident fund scheme ("MPF Scheme"). The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules.

During the year, the total amount contributed by the Group to the MPF Scheme charged to the income statement represent contributions payable to the fund by the Group at rates specified in the rules of the scheme.

31. CONTINGENT LIABILITIES

On 10th November 2000 the Company has been named as a defendant in a legal action in which a claim have been made against the Company for failure to pay, as the guarantor, an amount of approximately HK$5,996,000 and related interest. The directors, after seeking legal advice, is of the opinion that the eventual resolution of the legal action is unlikely to result in payment by the Group and no provision for any potential liability is required in the financial statements.

In addition, at 30th June 2003, the Company had given a guarantee to a bank, details of which are set out in note 32 below.

32. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES

Details of balances with connected and related parties are set out in notes 13 and 21.

At 30th June 2003, the Company had given a guarantee amounting to HK$90,000 (2002: HK$3,563,000) to a bank in respect of banking facilities granted by the bank to Digital Nunet Exchange Limited ("Digital Nunet") which is 55% owned by the Group.

Also, the Company had given a corporate guarantee amounting to HK$2,500,000 (2002: Nil) to a third party in respect of a loan granted to Digital Nunet.

At 30th June 2003, the Group had advanced approximately HK$10,700,000 to Digital Nunet. The advance is unsecured, repayable on demand and carries interest at 5% per annum. The guarantee given by the Group and advance made by the Group were the only financial assistance given by Digital Nunet's shareholders to Digital Nunet.

32. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (continued)

In addition, at 30th June 2003, the Group had advanced approximately HK$10,371,000 (2002: HK$13,966,000) to Michael Lai Production Holdings Limited ("Michael Lai Production") which is 70% owned by the Group. The advance is unsecured, interest free and repayable on demand. The advance made to Michael Lai Production was the only financial assistance given by Michael Lai Production's shareholders to Michael Lai Production.

33. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 30th June 2003 are as follows:

Name of subsidiary	Place of incorporation/ operations	Nominal value of issued and paid up share capital	Proportion of issued share capital held by the Group	Principal activities
			%	
Ancora Worldwide Limited*	British Virgin Islands	US$100	100	Investment holding
Best Victory Trading Limited*	Hong Kong	HK$2,000,000	100	Distribution of electrical consumer products, computer related products, and electronic components
Best Time Investments Limited*	Hong Kong	HK$10,000	100	Investment holding
Capital Ace Holdings Limited*	British Virgin Islands	US$1	100	Investment holding
Chiefast Company Limited*	British Virgin Islands	US$1	100	Investment holding
City Star Technology Limited*	British Virgin Islands	US$1	100	Investment holding
CWAP (HK) Limited	Hong Kong	HK$2	100	Provision of Chinese WAP services

33. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ operations	Nominal value of issued and paid up share capital	Proportion of issued share capital held by the Group %	Principal activities
CWAP Technology (Shenzhen) Limited	Hong Kong	HK$1,000,000	100	Provision of WAP services
Digital Nunet Exchange Limited	Hong Kong	HK$10,000	55	Provision of technology services
Digital World Finance Limited*	Hong Kong	HK$1,000,000	100	Money lending
Dynamic Rich Limited*	British Virgin Islands	US$1,000	100	Investment holding
Dynamic Wealth Limited*	British Virgin Islands	US$1	100	Investment holding
E-World Net International Limited	Taiwan	NT$5,000,000	70	Provision of e-travel services
Michael Lai Production Holdings Limited	British Virgin Islands	US$1,000	70	Provision of entertainment services
Mojoco Enterprise Incorporation*	British Virgin Islands	US$1	100	Investment holding
New Dynamic Venture Corporation*	British Virgin Islands	US$1,000	100	Investment holding
Vital Tech Company Limited*	British Virgin Islands	US$1,000	100	Investment holding
Wing Kit Worldwide Limited*	British Virgin Islands	US$1,000	100	Investment holding
World Express Investment Limited*	British Virgin Islands	US$1,000	100	Investment holding

33. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Other than those subsidiaries with an "*" which are directly held by the Company, all the subsidiaries are indirectly held.

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

34. POST BALANCE SHEET EVENTS

On 12th August 2003, an announcement of unconditional cash offer to acquire all the issued shares of the Company was jointly announced by the Company and Winning Concept Investments Limited ("Winning Concept"), an unrelated party of the Company. In the opinion of the directors, the management of the Company would be possibly changed upon the success of the cash offer by Winning Concept.