

**1. GENERAL**

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited.

The principal activities of the Group are the trading of telephones, computers and related products.

**2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE**

In the current year, 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 inclusion of a statement of changes in equity, but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required. Further details of the effect on adopting these new and revised SSAPs are as follows:

**Foreign currencies**

The revisions to SSAP 11 "Foreign Currency Translation" have eliminated the choice of translating the income statements of overseas subsidiaries at the closing rate for the period. They are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

**Cash flow statements**

In the current year, the Group has adopted SSAP 15 (Revised) "Cash flow statement". Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest received and paid, which were previously presented under a separate heading, are classified as investing and operating cash flows, respectively. Cash flows arising from taxes on income are classified as operating activities unless they can be separately identified with investing or financing activities.

**Employee benefits**

In the current year, the Group has adopted SSAP 34 "Employee benefits", which introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group's participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any material impact on the financial statements.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

#### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30th June each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

#### **Investments in subsidiaries**

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

#### **Turnover**

Turnover represents the amounts received and receivable from goods sold, less returns and discounts, to outside customers during the year.

#### **Revenue recognition**

Sales of goods are recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

**3. SIGNIFICANT ACCOUNTING POLICIES – *Continued***

**Property, plant and equipment**

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

Land held under lease is amortised over the remaining lease term and buildings are depreciated over a period of twenty years, both using the straight-line method.

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

Leasehold improvements	10%
Furniture and fixtures	20%
Office equipment and computers	20%
Electronic instruments	20%
Moulds	30%
Motor vehicles	30%

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.

**Impairment**

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

**3. SIGNIFICANT ACCOUNTING POLICIES – *Continued*****Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

**Taxation**

The charge for taxation is based on the results for the year as adjusted 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 recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

**Foreign currencies**

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expense in the period in which the operation is disposed of.

**Operating leases**

Rentals under operating leases are charged to the income statement on a straight-line basis over the term of the relevant leases.

**Retirement benefit costs**

Payments to defined contribution retirement benefit plan are charged as an expense as they fall due.

**4. BUSINESS AND GEOGRAPHICAL SEGMENTS**

**(a) Business segments**

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

Principal activities are as follows:

- Telephones – trading of mobile phones and in-door telephones
- Computers and related products – trading of computers and related products

Segment information about these businesses is presented below:

**2003**

	<b>Telephones</b>	<b>Computers and related products</b>	<b>Consolidated</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>TURNOVER</b>			
External sales	<b>2,333</b>	<b>74,147</b>	<b>76,480</b>
<b>RESULT</b>			
Segment result	<b>(1,241)</b>	<b>(1,768)</b>	<b>(3,099)</b>
Unallocated corporate expenses			<b>(1,379)</b>
Loss before taxation			<b>(4,388)</b>
Taxation			<b>(33)</b>
Net loss for the year			<b>(4,421)</b>

For the year ended 30th June, 2003

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**4. BUSINESS AND GEOGRAPHICAL SEGMENTS – *Continued***

**(a) Business segments – *continued***

	<b>Telephones</b>	<b>Computers and related products</b>	<b>Consolidated</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
BALANCE SHEET			
ASSETS			
Segment assets	<b>193</b>	<b>14,879</b>	<b>15,072</b>
Unallocated corporate assets			<b>35,415</b>
Consolidated total assets			<b>50,487</b>
LIABILITIES			
Segment liabilities	–	<b>7,942</b>	<b>7,942</b>
Unallocated corporate liabilities			<b>479</b>
Consolidated total liabilities			<b>8,421</b>

**4. BUSINESS AND GEOGRAPHICAL SEGMENTS – *Continued***

**(a) Business segments – *continued***

2002

	Telephones	Computers and related products	Consolidated
	HK\$'000	HK\$'000	HK\$'000
<b>TURNOVER</b>			
External sales	18,159	39,022	57,181
<b>RESULT</b>			
Segment result	(4,639)	(985)	(5,624)
Unallocated corporate expenses			(3,556)
Loss from operations			(9,180)
Finance costs			(7)
Loss before taxation			(9,187)
Taxation			(28)
Net loss for the year			(9,215)

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**4. BUSINESS AND GEOGRAPHICAL SEGMENTS – *Continued***

**(a) Business segments – *continued***

	Telephones	Computers and related products	Consolidated
	HK\$'000	HK\$'000	HK\$'000
<b>BALANCE SHEET</b>			
<b>ASSETS</b>			
Segment assets	2,661	18,346	21,007
Unallocated corporate assets			14,436
<b>Consolidated total assets</b>			<b>35,443</b>
<b>LIABILITIES</b>			
Segment liabilities	428	2,889	3,317
Unallocated corporate liabilities			587
<b>Consolidated total liabilities</b>			<b>3,904</b>



**4. BUSINESS AND GEOGRAPHICAL SEGMENTS – *Continued***

**(b) Geographical segments**

The Group's trading operations of telephones are located in Hong Kong while the trading operations of computers and related products are located in both Hong Kong and the People's Republic of China (the "PRC").

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

	<b>Turnover by geographical market</b>	
	<b>2003 HK\$'000</b>	2002 HK\$'000
Hong Kong	<b>50,928</b>	47,509
PRC	<b>24,230</b>	6,584
Others	<b>1,322</b>	3,088
	<b>76,480</b>	57,181

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

	<b>Carrying amount of segment assets</b>		<b>Additions to property, plant and equipment</b>	
	<b>2003 HK\$'000</b>	2002 HK\$'000	<b>2003 HK\$'000</b>	2002 HK\$'000
Hong Kong	<b>38,908</b>	22,441	-	-
PRC	<b>11,579</b>	13,002	-	6
	<b>50,487</b>	35,443	-	6

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**5. LOSS FROM OPERATIONS**

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Loss from operations has been arrived at after charging:		
Directors' emoluments ( <i>note 6</i> )	<b>365</b>	2,745
Other staff costs	<b>2,169</b>	2,052
<b>Total staff costs</b>	<b>2,534</b>	4,797
Auditors' remuneration	<b>200</b>	200
Depreciation and amortisation of property, plant and equipment	<b>591</b>	719
Loss on disposals of property, plant and equipment	<b>75</b>	–
Write-off of property, plant and equipment	<b>505</b>	–
Cost of inventories recognised as an expense	<b>74,771</b>	55,197

**6. DIRECTORS' EMOLUMENTS**

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Directors' fees:		
Executive directors	<b>10</b>	–
Independent non-executive directors	<b>280</b>	480
	<b>290</b>	480
Other emoluments:		
Executive directors		
Salaries and other benefits	<b>75</b>	2,189
Contributions to retirement benefit scheme	<b>–</b>	76
	<b>75</b>	2,265
<b>Total emoluments</b>	<b>365</b>	2,745

**6. DIRECTORS' EMOLUMENTS – Continued**

The emoluments of the directors were within the following bands:

	Number of directors	
	2003	2002
Nil to HK\$1,000,000	8	8
HK\$2,000,001 to HK\$3,000,000	-	1

During the years ended 30th June, 2003 and 2002, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, three (2002: four) executive directors have waived their emoluments.

**7. EMPLOYEES' EMOLUMENTS**

Of the five individuals with the highest emoluments in the Group, none (2002: two) was director(s) of the Company, whose emoluments are set out in note 6 above. The emoluments of the five (2002: three) individuals were as follows:

	2003 HK\$'000	2002 HK\$'000
Salaries and other benefits	1,224	880
Contributions to retirement benefits scheme	55	44
	<b>1,279</b>	924

Their emoluments are within the following bands:

	Number of employees	
	2003	2002
Nil to HK\$1,000,000	5	3

**8. TAXATION**

The tax charge for the current year represents the PRC enterprise income tax of a 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 loss for the year.

No deferred tax asset has been recognised in the financial statements as it is uncertain whether the benefits of the timing differences will be realised in the foreseeable future. Details of unrecognised deferred tax assets are set out in note 18.

**9. LOSS PER SHARE**

The calculation of the loss per share is based on the net loss for the year of approximately HK\$4,421,000 (2002: HK\$9,215,000) and on weighted average of 870,815,129 (2002: on weighted average of 717,693,978) shares in issue throughout the year.

No diluted loss per share is presented because the exercise of outstanding share options would reduce the loss per share in both the current and prior year.

**10. PROPERTY, PLANT AND EQUIPMENT**

	Office							
	Leasehold land and buildings	Leasehold improve- ments	Furniture and fixtures	Office equipment and computers	Electronic instruments	Moulds	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP								
COST								
At 1st July, 2002	6,193	1,554	848	1,703	1,524	7,619	809	20,250
Disposals	-	-	-	(777)	-	-	-	(777)
Write-off	-	(465)	(260)	(207)	-	(6,918)	-	(7,850)
<b>At 30th June, 2003</b>	<b>6,193</b>	<b>1,089</b>	<b>588</b>	<b>719</b>	<b>1,524</b>	<b>701</b>	<b>809</b>	<b>11,623</b>
DEPRECIATION AND AMORTISATION								
At 1st July, 2002	2,508	750	707	1,310	1,328	7,159	707	14,469
Provided for the year	205	80	28	69	40	138	31	591
Eliminated on disposals	-	-	-	(699)	-	-	-	(699)
Eliminated on write-off	-	(307)	(230)	(174)	-	(6,634)	-	(7,345)
<b>At 30th June, 2003</b>	<b>2,713</b>	<b>523</b>	<b>505</b>	<b>506</b>	<b>1,368</b>	<b>663</b>	<b>738</b>	<b>7,016</b>
NET BOOK VALUES								
<b>At 30th June, 2003</b>	<b>3,480</b>	<b>566</b>	<b>83</b>	<b>213</b>	<b>156</b>	<b>38</b>	<b>71</b>	<b>4,607</b>
At 30th June, 2002	3,685	804	141	393	196	460	102	5,781

The leasehold land and buildings are situated in Hong Kong and are held under medium-term leases.

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**A n n u a l R e p o r t 2 0 0 3 S h a n g H u a H o l d i n g s L i m i t e d**

**11. INTERESTS IN SUBSIDIARIES**

	<b>THE COMPANY</b>	
	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Unlisted investments, at cost	<b>61,869</b>	61,869
Less: Impairment loss recognised	<b>(61,869)</b>	(61,869)
	-	-
Amounts due from subsidiaries	<b>112,346</b>	112,907
Less: Impairment loss recognised	<b>(85,479)</b>	(86,531)
	<b>26,867</b>	26,376
	<b>26,867</b>	26,376

The carrying amount of the unlisted shares is based on the book values of the underlying net assets of the subsidiaries attributable to the Group as at the date on which the Company became the ultimate holding company of the companies under the group reorganisation in March 1993, less impairment loss on the value of the investments in subsidiaries.

The amounts due from subsidiaries are unsecured, non-interest bearing. In the opinion of the directors, the amounts will not be repayable within the next twelve months from the balance sheet date.

Details of the Company's subsidiaries at 30th June, 2003 are set out in note 23.

**12. INVENTORIES**

	<b>THE GROUP</b>	
	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Raw materials	-	636
Finished goods	-	673
	-	1,309

Inventories of approximately HK\$1,268,000 as at 30th June, 2002 were carried at net realisable value.

**13. TRADE AND OTHER RECEIVABLES**

The Group allows an average credit period of 60 days to its trade customers. An aged analysis of trade receivables is as follows:

	<b>THE GROUP</b>	
	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Trade receivables		
0-30 days	<b>9,194</b>	7,589
31-60 days	<b>2,368</b>	756
Over 60 days	<b>1,512</b>	-
	<b>13,074</b>	8,345
Deposits and prepayments	<b>1,876</b>	127
	<b>14,950</b>	8,472

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**14. TRADE AND OTHER PAYABLES**

An aged analysis of trade payables is as follows:

	<b>THE GROUP</b>	
	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Trade payables		
0-30 days	<b>7,335</b>	3,078
31-60 days	-	-
Over 60 days	<b>607</b>	43
	<b>7,942</b>	3,121
Other payables and accrued charges	<b>411</b>	659
	<b>8,353</b>	3,780

**15. AMOUNT DUE TO A SUBSIDIARY**

The amount was unsecured, non-interest bearing and was fully repaid during the year.

**16. SHARE CAPITAL**

	Number of shares		Amount	
	<b>2003</b>	2002	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Ordinary shares of HK\$0.10 each				
Authorised:				
At beginning and at end of year	<b>1,500,000,000</b>	1,500,000,000	<b>150,000</b>	15,000
Issued and fully paid:				
At beginning of the year	<b>775,472,663</b>	643,727,663	<b>77,547</b>	64,373
Placing of shares	<b>150,000,000</b>	128,745,000	<b>15,000</b>	12,874
Exercise of share options	-	3,000,000	-	300
At end of year	<b>925,472,663</b>	775,472,663	<b>92,547</b>	77,547



**16. SHARE CAPITAL – Continued**

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 of the shares issued during the year rank pari passu with the then existing shares in all respects.

**17. RESERVES**

	<b>Share premium</b>	<b>Contributed surplus</b>	<b>Deficit</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE COMPANY				
At 1st July, 2001	31,777	60,859	(134,801)	(42,165)
Premium arising from issue of shares	6,684	–	–	6,684
Share issue expenses	(450)	–	–	(450)
Net loss for the year	–	–	(14,496)	(14,496)
At 30th June, 2002 and 1st July, 2002	38,011	60,859	(149,297)	(50,427)
Share issue expenses	(52)	–	–	(52)
Net loss for the year	–	–	(59)	(59)
At 30th June, 2003	37,959	60,859	(149,356)	(50,538)

The contributed surplus of the Company represents the difference between the book value of the underlying net assets of the subsidiaries which were acquired by the Company and the nominal amount of the share capital issued by the Company under a group reorganisation in March 1993.

Under the company law in Bermuda, contributed surplus is also available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus if,

- a. it is, or would after the payment be, unable to pay its liabilities as they become due; or
- b. the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

At the balance sheet date, the Company had no reserves available for distribution to shareholders.

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**18. UNRECOGNISED DEFERRED TAX ASSETS**

At the balance sheet date, the major components of the unrecognised deferred tax assets are as follows:

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	<b>(217)</b>	(341)	<b>-</b>	-
Unutilised tax losses	<b>11,767</b>	10,769	<b>2,247</b>	1,923
	<b>11,550</b>	10,428	<b>2,247</b>	1,923

The amount of unprovided deferred net tax credit for the year are as follows:

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Tax effect of timing differences because of:				
Excess of depreciation over tax allowances	<b>156</b>	73	<b>-</b>	-
Tax losses (utilised) arising	<b>(11)</b>	858	<b>295</b>	-
Effect of change in tax rate	<b>977</b>	-	<b>29</b>	-
	<b>1,122</b>	931	<b>324</b>	-

**19. PLEDGE OF ASSETS**

At 30th June, 2003, the Group has pledged bank deposits of approximately HK\$800,000 (2002: Nil) secure general banking facilities granted to a subsidiary.

**20. OPERATING LEASE COMMITMENTS**

**The Group as lessee**

	<b>THE GROUP</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Minimum lease payments paid under operating leases in respect of land and buildings during the year	<b>548</b>	355

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

	<b>THE GROUP</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>163</b>	430
In the second to fifth year inclusive	<b>81</b>	133
	<b>244</b>	563

Operating lease payments represent rentals payable by the Group for staff quarters and office premises. Leases are negotiated for an average term of 1.5 years.

At 30th June, 2003, the Company had no commitments under operating leases (2002: Nil).

**21. RETIREMENT BENEFITS SCHEME**

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group in funds under the control of trustees.

Employees of the Group in the PRC are members of the state-sponsored pension operated by the PRC Government. The Group are required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions.

The retirement benefits cost charged to income statement for the year ended 30th June, 2003 amounted to HK\$86,263 (2002: HK\$170,164) represents contributions payable to the scheme by the Group at rates specified in the rules of the scheme.

## **22. SHARE OPTIONS**

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 20th March, 2002 for the primary purpose of providing incentives to directors and eligible employees, and has been expired on 22nd March, 2003. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties for settlement in respect of goods or services provided to the Company.

At 30th June, 2002, the number of shares in respect of which options had been granted under the Scheme was 3,000,000, representing 0.4% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the share of the Company in issue at any point in time, without prior approval from the Company's shareholders. The exercise price of the option is determined by the director of the Company, and will not be less than the higher of the closing price of the Company's shares on the date of grant, and the average closing price of the shares for the five trading days immediate preceding the date of grant.

The following tables disclose details of the Company's share options held by employees (including directors) and movements in such holdings during the year:

### **2003**

<b>Month of grant</b>	<b>Exercisable period</b>	<b>Exercise price</b>	<b>At 1.7.2002</b>	<b>Number of share options</b>		<b>At 30.6.2003</b>
				<b>Exercise during the year</b>	<b>Lapsed during the year</b>	
Director						
April 2001	23.10.2001 – 22.3.2003	<b>0.1824</b>	<b>1,000,000</b>	-	<b>(1,000,000)</b>	-
Employees						
April 2001	23.10.2001 – 22.3.2003	<b>0.1824</b>	<b>2,000,000</b>	-	<b>(2,000,000)</b>	-
			<b>3,000,000</b>	-	<b>(3,000,000)</b>	-

HK\$

**22. SHARE OPTIONS – Continued**

2002

Month of grant	Exercisable period	Exercise price HK\$	At 1.7.2001	Number of share options		At 30.6.2002
				Exercise during the year	Lapsed during the year	
Directors						
May 2000	3.11.2000 – 2.11.2002	0.5056	2,000,000	–	(2,000,000)	–
April 2001	23.10.2001 – 22.3.2003	0.1824	7,000,000	(3,000,000)	(3,000,000)	1,000,000
			9,000,000	(3,000,000)	(5,000,000)	1,000,000
Employee						
April 2001	23.10.2001 – 22.3.2003	0.1824	2,050,000	–	(50,000)	2,000,000
			11,050,000	(3,000,000)	(5,050,000)	3,000,000

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**23. PARTICULARS OF SUBSIDIARIES**

At 30th June, 2003, the Company had interests in the following subsidiaries:

Name of subsidiary	Place of incorporation or registration/ operations	Paid up issued/ registered ordinary share capital	Proportion of nominal value of issued share capital/registered capital held by		Principal activities
			Company Subsidiaries		
			%	%	
Wanon Industries Limited	Hong Kong	HK\$500,000	100	–	Trading of telephones, computers and related products
Wanon Trading Limited (formerly known as Gorbachev Company Limited)	Hong Kong	HK\$2	–	100	Trading of computers and related products
Shanghai Classic Limited	British Virgin Islands	US\$1	100	–	Investment holding
上海建開國際貿易有限公司*	PRC	HK\$11,000,000	–	100	Trading of computers and related products

None of the subsidiaries had issued any debt securities at the end of year.

\* It is wholly-owned foreign enterprise.