

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS***For the six months ended 31 December 2002***1. TURNOVER AND SEGMENTAL INFORMATION**

Analysis of turnover and contribution to loss from operations by principal activities and geographical locations is as follows:

	<b>Turnover</b>		<b>Contribution to loss</b>	
	<b>for the six months</b>		<b>from operations</b>	
	<b>ended 31 December</b>		<b>for the six months</b>	
	<b>ended 31 December</b>		<b>ended 31 December</b>	
	<b>2002</b>	2001	<b>2002</b>	2001
	<b>Unaudited</b>	Unaudited	<b>Unaudited</b>	Unaudited
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
By principal activities:				
Trading of multi-media and communication products	<b>23,319</b>	21,553	<b>(6,555)</b>	(2,005)
Others	<b>–</b>	–	<b>(3,224)</b>	(1,621)
	<b><u>23,319</u></b>	<u>21,553</u>	<b><u>(9,779)</u></b>	<u>(3,626)</u>
By geographical locations:				
The Hong Kong Special Administrative Region ("Hong Kong")	<b>3,872</b>	9,186	<b>(8,778)</b>	(2,483)
Other parts in the People's Republic of China ("PRC")	<b>19,447</b>	12,367	<b>(1,001)</b>	(1,143)
	<b><u>23,319</u></b>	<u>21,553</u>	<b><u>(9,779)</u></b>	<u>(3,626)</u>

**2. LOSS FROM OPERATIONS**

Loss from operations is stated after crediting and charging the following items:

	<b>For the six months ended 31 December</b>	
	<b>2002</b>	2001
	<b>Unaudited</b>	Unaudited
	<b>HK\$'000</b>	HK\$'000
<b>Crediting:</b>		
Gain on disposal of subsidiary	-	1,313
	<u>          </u>	<u>          </u>
<b>Charging:</b>		
Staff cost (including directors' emoluments)	<b>1,302</b>	5,012
Depreciation	<b>73</b>	75
Amortisation of goodwill	<b>2,000</b>	2,000
	<u>          </u>	<u>          </u>





### 3. TAXATION

	<b>For the six months ended 31 December</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Hong Kong profits tax	-	-
Overseas taxation	-	-
	<hr/>	<hr/>
	-	-
Share of taxation attributable to jointly controlled entities	-	-
	<hr/>	<hr/>
	-	-
Deferred taxation	-	-
	<hr/>	<hr/>
	-	-
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No provision for Hong Kong profits tax and overseas income tax has been made since there is no estimated assessable profit derived from Hong Kong and overseas for the period.

### 4. LOSS PER SHARE

The calculation of basic loss per share for the period ended 31 December 2002 is based on the loss attributable to shareholders of approximately HK\$10,304,000 (2001: HK\$4,957,000) and on 563,894,004 (2001: 27,494,700,216) ordinary shares in issue during the period.

No diluted loss per share for the period ended 31 December 2002 and 2001 is shown as the effect of the potential ordinary shares outstanding during these two periods would be anti-dilutive.



## 5. INTERIM DIVIDEND

The Board of Directors does not recommend to declare any interim dividend for the six months ended 31 December 2002 (2001: Nil).

## 6. ACCOUNTS RECEIVABLE

All of the accounts receivable are stated net of provision of bad and doubtful debts and are expected to be recovered within one year. The aging analysis is as follows:

	<b>31 December 2002 Unaudited HK\$'000</b>	30 June 2002 Audited HK\$'000
0 – 90 days	<b>1,544</b>	1,550
91 – 180 days	–	1,207
Over 180 days	<b>3,720</b>	758
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	<b>5,264</b>	3,515
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## 7. ACCOUNTS AND BILLS PAYABLE

All of the accounts payable are expected to be settled within one year. The aging analysis is as follows:

	<b>31 December 2002 Unaudited HK\$'000</b>	30 June 2002 Audited HK\$'000
0 – 90 days	<b>1,364</b>	2,493
91 – 180 days	–	2,800
Over 180 days	<b>7,881</b>	4,813
	<hr/>	<hr/>
	<b>9,245</b>	10,106
Bills payable	<b>10,858</b>	12,766
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	<b>20,103</b>	22,872
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**8. SHARE CAPITAL**

	<b>31 December 2002</b>		30 June 2002	
	<b>Unaudited</b>		Audited	
	<b>No. of</b>		No. of	
	<b>shares</b>		shares	
	<b>('000)</b>	<b>HK\$'000</b>	('000)	HK\$'000
Authorised:				
Beginning of period/year, ordinary shares of HK\$0.01 each	<b>1,200,000</b>	<b>12,000</b>	60,000,000	600,000
Increase in authorized capital	-	-	-	-
Capital reduction of par value of HK\$0.01 each had been reduced to HK\$0.0002 each	-	-	-	(588,000)
Consolidation of every 50 shares to 1 share	-	-	(58,800,000)	-
	<b><u>1,200,000</u></b>	<b><u>12,000</u></b>	<b><u>1,200,000</u></b>	<b><u>12,000</u></b>
End of period/year, ordinary shares of HK\$0.01 each				
Issued and fully paid:				
Beginning of period/year	<b>563,894</b>	<b>5,639</b>	26,094,701	260,947
Issue of shares for acquisition of an associate	-	-	2,100,000	21,000
Consolidation of every 50 shares to 1 share	-	-	(27,630,807)	-
Capital reduction	-	-	-	(276,308)
	<b><u>563,894</u></b>	<b><u>5,639</u></b>	<b><u>563,894</u></b>	<b><u>5,639</u></b>
End of period/year				

**9. RESERVES**

	<b>Share premium</b>	<b>Capital reserve</b>	<b>Exchange fluctuation reserve</b>	<b>Accumulated losses</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Beginning of period (audited)	293,907	6,656	(124)	(370,382)	(69,943)
Net loss for the year	—	—	—	(10,304)	(10,304)
End of period (unaudited)	<u>293,907</u>	<u>6,656</u>	<u>(124)</u>	<u>(380,686)</u>	<u>(80,247)</u>

**10. SHARE OPTIONS**

On 1 July 1993, the company approved a share option scheme under which the directors may, at their discretion, at any time during ten years from the date of approval, invite any eligible employee of the group to take up options to subscribe for shares of the company. Such options will lapse on the voluntary resignation or termination of any eligible employee's employment in accordance with the termination provision of his contract of employment other than by reason of redundancy. The maximum number of shares on which options may be granted may not exceed 10% of the share capital in issue at the time of grant. The aforesaid share option scheme became effective upon the listing of the company's shares and warrants on The Stock Exchange of Hong Kong Limited on 21 July 1993.

On 19 March 2002, the company entered an option agreement with a related company. On the same date, a resolution passed and resolved that there were 2,000 million of share options with the exercise price HK\$0.01 per share had granted to the related company only if the related company fulfilled certain conditions specified in the agreement. Director of the company, Mr. Ke Jun Xiang is the beneficial owner of the related company.

The option agreement would be valid on the date of fulfilment of conditions specified in the agreement. The specified conditions were fulfilled and completed on 16 May 2003.

The 2,000 million options were exercisable at HK\$0.01 per share within twelve months from 16 May 2003.

At 31 December 2002, the company had 23,500,000 share options outstanding, of which 6,300,000 and 17,200,000 options were exercisable at HK\$0.320 and HK\$0.626 per share (subject to adjustments) respectively at any time during the period of ten years from the date of grant of the options. The exercise in full of such share options would, under the present capital structure of the company, result in the issue of 23,500,000 additional shares. None of these share options were exercised during the period ended 31 December 2002.

#### 11. PLEDGE OF ASSETS

The Group's investment in a wholly-owned subsidiary, Collections International Limited had been pledged to an independent third party for a loan of approximately HK\$4 million. Collections International Limited was the holding company of a property development joint venture project in the People's Republic of China. Full provision for impairment loss had been made at 31 December 2002.

The Group's property of carrying value of approximately HK\$20 million together with the Company's guarantees were pledged to a bank in Hong Kong for a banking facility of approximately HK\$50 million. Subsequent to balance sheet date, the bank took possession of the property and disposed it at net proceeds of approximately HK\$6.4 million. Carrying value of the property had been reduced to this amount by an impairment loss of approximately HK\$13.8 million of which HK\$4.2 million was charged to income statement and HK\$9.6 million was charged to revaluation reserve in the audited financial statement of 2002.

#### 12. CAPITAL COMMITMENTS

Capital commitments not provided for in the interim financial statements are analysed as follows:

	<b>31 December 2002 Unaudited HK\$'000</b>	30 June 2002 Audited HK\$'000
Contracted but not provided for	<b>210,759</b>	210,759

### **13. RELATED PARTY TRANSACTIONS**

Other than disclosed elsewhere in these unaudited financial statements, the Group did not have other material transaction with related parties during the period.

### **14. CONTINGENT LIABILITIES**

There were various legal proceedings taken by the creditors against the company and its subsidiaries during the period and subsequent to the balance sheet date. The directors consider that the estimated liabilities for the group and the company will be HK\$53.60 million if the creditors succeed in the claims. The estimation did not include those cases where no legal actions or solicitors' letters were issued as well as the legal costs and interests where not confirmed.

### **15. SUBSEQUENT EVENTS**

A creditors' scheme of arrangement (the "Scheme") effected on 4 April 2003 under Section 166 of the Companies Ordinance of Hong Kong and under Section 99 of the Companies Act 1981 of Bermuda was completed on 16 May 2003 to restructure the Group's total indebtedness and net proceeds of HK\$30 million were raised from subscription of new shares of the Company for this purpose. Total admitted indebtedness under the Scheme was approximately HK\$206 million, of which approximately HK\$15 million was paid out from the proceeds. Indebtedness of approximately HK\$170 million was waived and credited to income statement of the company. The remaining indebtedness of approximately HK\$106 million was settled by issue of ordinary shares at HK\$0.01 each. These financial implications will be reflected in the final results for the year ended 30 June 2003.

### **16. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified and restated to conform with the current period's presentation.