NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2004

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 computers and related products.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, the following Hong Kong Financial Reporting Standard ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The term HKFRS is inclusive of Statements of Standard Accounting Practice ("SSAP(s)") and Interpretations approved by the HKICPA.

SSAP 12 (Revised)	Income taxes

In the current year, the Group has adopted SSAP 12 (Revised) "Income taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. 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 bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the revised accounting policy has been applied retrospectively. However, the adoption of SSAP 12 (Revised) has had no material effect on the results for the current or prior accounting years. Accordingly, no prior period adjustment is required.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investments in securities, 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 the 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.

All significant intercompany transactions and balances between group companies are eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Investments in subsidiaries

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

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.

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 are 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 sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is capitalised and amortised on a straight line basis over its useful economic life. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

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. Impairment losses are 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.

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 classified as investment securities and other investments.

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 that is other than temporary.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Taxation – *continued*

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange 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.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

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 plans and state-sponsored pension plan are charged as an expense as they fall due.

4. SEGMENTAL INFORMATION

Turnover

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

In 2003, the Group reported its primary segment information on the basis of business segments. In the current year, the Company adopts geographical segments based on the destination of shipment of products as the primary format for reporting segment information as the directors of the Company consider this basis is more appropriate to the Group. Accordingly, comparative information for 2003 has been restated to conform with current year's presentation.

Business segments

Turnover and contribution to operating results and assets and liabilities by business segments have not been prepared as the Group's turnover was solely derived from the trading of computers and related products.

Geographical segments

For management purposes, the Group is currently organised into two major geographical segments based on the destination of shipment of products. These segments are the basis on which the Group reports its primary segment information.

4. SEGMENTAL INFORMATION – *continued*

Geographical segments – *continued*

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

INCOME STATEMENT

Year ended 30th June, 2004

	Hong Kong HK$'000	PRC other than Hong Kong HK$'000	Consolidated HK$'000
TURNOVER			
External sales	**59,585**	**9,617**	**69,202**
RESULT			
Segment result	**(1,972)**	**(686)**	**(2,658)**
Interest income			**31**
Unallocated corporate income			**192**
Unallocated corporate expenses			**(8,709)**
Net loss for the year			**(11,144)**

4. SEGMENTAL INFORMATION – *continued*

Geographical segments – *continued*

BALANCE SHEET

At 30th June, 2004

	Hong Kong HK$'000	PRC other than Hong Kong HK$'000	Consolidated HK$'000
ASSETS			
Segment assets	27,355	13,392	40,747
Unallocated corporate assets			12,400
Consolidated total assets			53,147
LIABILITIES			
Segment liabilities	3,479	14	3,493
Unallocation corporate liabilities			250
Consolidation total liabilities			3,743

OTHER INFORMATION

Year ended 30th June, 2004

	Hong Kong HK$'000	PRC other than Hong Kong HK$'000	Consolidated HK$'000
Capital additions	41	19	60
Depreciation and amortisation	395	3	398

4. SEGMENTAL INFORMATION – *continued*

Geographical segments – *continued*

INCOME STATEMENT

Year ended 30th June, 2003

	Hong Kong HK$'000	PRC other than Hong Kong HK$'000	Others HK$'000	Consolidated HK$'000
TURNOVER				
External sales	50,928	24,230	1,322	76,480
RESULT				
Segment result	(1,711)	(602)	(698)	(3,011)
Interest income				64
Unallocated corporate income				93
Unallocated corporate expenses				(1,534)
Loss before taxation				(4,388)
Taxation	–	(33)	–	(33)
Net loss for the year				(4,421)

BALANCE SHEET

At 30th June, 2003

	Hong Kong HK$'000	PRC other than Hong Kong HK$'000	Others HK$'000	Consolidated HK$'000
ASSETS				
Segment assets	35,620	14,867	–	50,487
LIABILITIES				
Segment liabilities	7,002	1,219	–	8,221
Unallocated corporate liabilities				200
Consolidated total liabilities				8,421

4. SEGMENTAL INFORMATION – continued

Geographical segments – *continued*

OTHER INFORMATION

Year ended 30th June, 2003

	Hong Kong	PRC other than Hong Kong	Others	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000
Depreciation and amortisation	591	–	–	591

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:

	Carrying amount of segment assets		**Additions to property, plant and equipment**	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**41,896**	38,908	**41**	–
PRC other than Hong Kong	**11,251**	11,579	**19**	–
	53,147	50,487	**60**	–

5. LOSS BEFORE TAXATION

	2004 HK$'000	2003 HK$'000
Loss before taxation has been arrived at after charging:		
Directors' emoluments *(Note 6)*	350	365
Other staff costs	2,364	2,169
Total staff costs	2,714	2,534
Auditors' remuneration	260	200
Depreciation and amortisation of property, plant and equipment	398	591
Impairment loss recognised in respect of property, plant and equipment	425	–
Loss on disposals of property, plant and equipment	–	75
Write-off of property, plant and equipment	848	505
Unrealised holding loss on investments in securities	422	–
and after crediting:		
Gain on disposals of investments in securities	164	–

6. DIRECTORS' EMOLUMENTS

	2004 HK$'000	2003 HK$'000
Directors' fees:		
Executive directors	**40**	10
Independent non-executive directors	**241**	280
	281	290
Other emoluments:		
Executive directors		
Salaries and other benefits	**69**	75
Total emoluments	**350**	365

The emoluments of the directors were within the following band:

	Number of directors	
	2004	2003
Nil to HK$1,000,000	**9**	8

During the years ended 30th June, 2004 and 2003, 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, four (2003: three) executive directors have waived their emoluments.

7. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, none (2003: none) was a director of the Company whose emoluments are set out in note 6 above. The emoluments of the five (2003: five) individuals were as follows:

	2004	2003
	HK$'000	HK$'000
Salaries and other benefits	**1,293**	1,224
Contributions to retirement benefits scheme	**53**	55
	1,346	1,279

Their emoluments were within the following band:

	Number of employees	
	2004	2003
Nil to HK$1,000,000	**5**	5

8. TAXATION

The tax charge for the year ended 30th June, 2003 represented the PRC enterprise income tax of a Group's subsidiary calculated at the applicable rate prevailing. No provision for such tax for the current year as the subsidiary incurred a loss for the year.

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group's operations in Hong Kong incurred tax losses for both years.

The tax charge for the year can be reconciled to the loss before taxation as follows:

	2004		2003	
	HK$'000	**%**	HK$'000	%
Loss before taxation	**(11,144)**		(4,388)	
Tax at Hong Kong Profits Tax rate of 17.5%	**(1,950)**	**(17.5)**	(768)	(17.5)
Tax effect of expenses not deductible for tax purpose	**1,168**	**10.5**	289	6.6
Tax effect of income not taxable for tax purpose	**(1)**	**–**	(5)	(0.1)
Tax effect of deferred tax assets not recognised	**242**	**2.2**	75	1.7
Tax effect of tax losses not recognised	**486**	**4.3**	390	8.9
Effect of different tax rates of a subsidiary operating in the PRC	**55**	**0.5**	(14)	(0.3)
Tax charge and effective tax rate for the year	**–**	**–**	(33)	(0.7)

At 30th June, 2004, the Group has deductible temporary differences and unused tax losses of approximately HK$1,569,000 (2003: HK$186,000) and HK$67,766,000 (2003: HK$64,992,000) respectively available for offset against future profits. No deferred tax assets have been recognised in the financial statements due to the unpredictability of the future profits streams. The tax losses may be carried forward indefinitely.

9. LOSS PER SHARE

The calculation of the loss per share is based on the net loss for the year of approximately HK$11,144,000 (2003: HK$4,421,000) and on weighted average of 51,732,650 (2003: 43,540,756 as restated) shares in issue throughout the year.

The comparative amounts of the loss per share and weighted average number of ordinary shares have been adjusted for the effect of subdivision of the Company's shares as set out in note 24(1)(b).

Diluted loss per share has not been presented as there is no dilutive potential ordinary shares in issue for both years.

10. PROPERTY, PLANT AND EQUIPMENT

	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, 2003	6,193	1,089	588	719	1,524	701	809	11,623
Acquired on acquisition of a subsidiary	–	–	23	18	–	–	–	41
Additions	–	–	–	19	–	–	–	19
Write-off	–	(1,089)	(588)	(596)	(1,524)	(701)	–	(4,498)
At 30th June, 2004	**6,193**	**-**	**23**	**160**	**-**	**-**	**809**	**7,185**
DEPRECIATION, AMORTISATION AND IMPAIRMENT								
At 1st July, 2003	2,713	523	505	506	1,368	663	738	7,016
Provided for the year	205	56	24	48	33	11	21	398
Eliminated on write-off	–	(579)	(522)	(474)	(1,401)	(674)	–	(3,650)
Impairment loss recognised in the income statement	425	–	–	–	–	–	–	425
At 30th June, 2004	**3,343**	**-**	**7**	**80**	**-**	**-**	**759**	**4,189**
NET BOOK VALUES								
At 30th June, 2004	**2,850**	**-**	**16**	**80**	**-**	**-**	**50**	**2,996**
At 30th June, 2003	3,480	566	83	213	156	38	71	4,607

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

At 30th June, 2004, the Directors reviewed the carrying value of the leasehold land and buildings and an impairment loss of HK$425,000 (2003: Nil) was recognised by reference to the net realisable value of the leasehold land and buildings.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2004

11. GOODWILL

	THE GROUP
	HK$'000
COST	
Arising on acquisition of a subsidiary and balance at 30th June, 2004	18,600
AMORTISATION	
Provided for the year and balance at 30th June, 2004	(6,200)
NET BOOK VALUE	
At 30th June, 2004	**12,400**

Goodwill was amortised on a straight line basis over a period of 3 years.

12. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2004	2003
	HK$'000	HK$'000
Unlisted investments, at cost (net of impairment loss recognised)	**12,402**	–
Amounts due from subsidiaries	**126,158**	112,346
Less: Impairment loss recognised	**(88,775)**	(85,479)
	37,383	26,867
	49,785	26,867

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

Details of the Company's subsidiaries at 30th June, 2004 are set out in note 25.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2004

13. INVENTORIES

Inventories represent goods held for resale and are carried at cost as at 30th June, 2004.

14. 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:

	THE GROUP	
	2004	2003
	HK$'000	HK$'000
Trade receivables		
0-30 days	**7,337**	9,194
31-60 days	**826**	2,368
Over 60 days	**23**	1,512
	8,186	13,074
Deposits and prepayments	**100**	1,876
	8,286	14,950

15. INVESTMENTS IN SECURITIES

THE GROUP AND THE COMPANY

	2004	2003
	HK$'000	HK$'000
Other investments, at market value		
Listed equity securities	**685**	–

16. TRADE AND OTHER PAYABLES

An aged analysis of trade payables is as follows:

	THE GROUP	
	2004	2003
	HK$'000	HK$'000
Trade payables		
0-30 days	**3,036**	7,335
31-60 days	**99**	–
Over 60 days	**22**	607
	3,157	7,942
Other payables and accrued charges	**559**	411
	3,716	8,353

17. SHARE CAPITAL

	Number of shares		Amount	
	2004	2003	**2004**	2003
			HK$'000	HK$'000
Ordinary shares of HK$0.10 each				
Authorised:				
At beginning and at end of year	**1,500,000,000**	1,500,000,000	**150,000**	150,000
Issued and fully paid:				
At beginning of the year	**925,472,663**	775,472,663	**92,547**	77,547
Placing of shares *(Note i)*	**-**	150,000,000	**-**	15,000
Issue of shares in consideration of the acquisition of a subsidiary *(Note ii)*	**185,000,000**	–	**18,500**	–
At end of year	**1,110,472,663**	925,472,663	**111,047**	92,547

17. SHARE CAPITAL – *continued*

Notes:

(i) On 30th October, 2002, the Company entered into a subscription agreement (the "Subscription Agreement") with Zest Zone Limited. Pursuant to the Subscription 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.

(ii) On 5th November, 2003, the Company entered into a Sale and Purchase Agreement (the "Agreement") with Aster Well Limited (the "Seller"). Pursuant to the Agreement, the Company agreed to acquire from the Seller the entire issued and paid up share capital of Carion Technology Limited, for a consideration of HK$18,500,000 settled by the issuance of 185,000,000 new shares of HK$0.10 each at HK$0.10 per share, the market value of each share on the date the contract was concluded. All the shares issued during the year rank pari passu with the then existing shares in all respects.

18. RESERVES

	Share premium	**Contributed surplus**	**Deficit**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
THE COMPANY				
At 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 and 1st July, 2003	37,959	60,859	(149,356)	(50,538)
Share issue expenses	(18)	–	–	(18)
Net loss for the year	–	–	(10,534)	(10,534)
At 30th June, 2004	**37,941**	**60,859**	**(159,890)**	**(61,090)**

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 taken place in March 1993.

18. RESERVES – *continued*

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.

19. ACQUISITION OF A SUBSIDIARY

On 5th November, 2003, the Group acquired the entire issued share capital of Carion Technology Limited for a consideration of HK$18.5 million and incidental cost of approximately HK$102,000. This transaction has been accounted for using the purchase method of accounting.

	2004	2003
	HK$'000	HK$'000
Net assets acquired:		
Property, plant and equipment	**41**	–
Trade and other receivables	**1,731**	–
Bank balances and cash	**137**	–
Trade and other payables	**(1,907)**	–
	2	–
Goodwill	**18,600**	–
	18,602	–

19. ACQUISITION OF A SUBSIDIARY – *continued*

	2004 HK$'000	2003 HK$'000
Satisfied by:		
Expenses paid in relation to the acquisition	102	–
Issue of shares	18,500	–
	18,602	–
Cash inflow arising on acquisition:		
Expenses paid in relation to the acquisition	(102)	–
Bank balances and cash acquired	137	–
Net inflow of cash and cash equivalents in respect of acquisition of a subsidiary	35	–

The subsidiary acquired during the year ended 30th June, 2004 contributed approximately HK$16,236,000 to the Group's turnover, and a loss of approximately HK$53,000 to the Group's loss for the year.

20. PLEDGE OF ASSETS

At 30th June, 2004, the Group has pledged bank deposits of approximately HK$75,000 (2003: HK$800,000) to secure general banking facilities granted to a subsidiary.

21. OPERATING LEASE COMMITMENTS

The Group as lessee

	THE GROUP	
	2004	2003
	HK$'000	HK$'000
Minimum lease payments paid under operating leases in respect of land and buildings	**221**	548

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:

	THE GROUP	
	2004	2003
	HK$'000	HK$'000
Within one year	**163**	163
In the second to fifth year inclusive	**19**	81
	182	244

Operating lease payments represent rentals payable by the Group for staff quarters and office premises. Leases are negotiated for terms of one to two years.

The Company had no commitments under operating leases for both years.

22. RETIREMENT BENEFITS SCHEMES

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 total cost charged to the income statement of HK$101,158 (2003: HK$86,263) represents contributions payable to the retirement benefits schemes by the Group in respect of the current year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2004

23. 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. 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.

The following table discloses details of the Company's share options held by employees (including directors) and movements in such holdings for year ended 30th June, 2003 and 2004:

				Number of share options		
	Month of grant	Exercisable period	Exercise price	At 1.7.2002	Lapsed during the year	At 30.6.2003 & 30.6.2004
			HK$			
Director	April 2001	23.10.2001 – 22.3.2003	0.1824	1,000,000	(1,000,000)	–
Other employees	April 2001	23.10.2001 – 22.3.2003	0.1824	2,000,000	(2,000,000)	–
				3,000,000	(3,000,000)	–

No share option had been granted to the employees of the Group for both years.

24. POST BALANCE SHEET EVENTS

(1) At the special general meeting of the Company held on 23rd July, 2004, the shareholders approved the following changes in the share capital of the Company (the "Capital Reorganisation"):

(a) the nominal value of all issued shares of HK$0.10 each be reduced by HK$0.095 each by cancelling an equivalent amount of paid-up capital per share so that the nominal value of each such share will be reduced from HK$0.10 to HK$0.005. The credit arising from such reduction is credited to the contributed surplus account of the Company;

(b) every 20 issued shares of HK$0.005 each in the capital of the Company be consolidated into one consolidated share of HK$0.10;

(c) the share premium as at 31st December, 2003 in the share premium account of the Company be cancelled and the credit arising therefrom is credited to the contributed surplus account of the Company; and

(d) part of the credit transferred to the contributed surplus account of the Company mentioned in (a) and (b) above is used to set off against the deficit of the Company.

(2) On 12th August, 2004, Wanon Industries Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party, as the purchaser, for the disposal of leasehold land and buildings for a cash consideration of HK$2,850,000.

25. PARTICULARS OF SUBSIDIARIES

At 30th June, 2004, 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 computers and related products
Wanon Trading Limited	Hong Kong	HK$2	–	100	Trading of computer related products
Shanghai Classic Limited	British Virgin Islands	US$1	100	–	Investment holding
Carion Technology Limited	Hong Kong	HK$10,000	100	–	Trading of computer related products
上海建開國際貿易有限公司*	PRC	HK$11,000,000	–	100	Trading of computer related products

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

* It is a wholly foreign owned enterprise.